2017

Annual Report

LEAF RESOURCES

SUSTAINABLE PRODUCTS FROM PLANT BIOMASS

Contents

A message from the Chairman & Managing Director

We are pleased to present the 2017 annual report to shareholders for what has been a pivotal year for our Company, one that has provided us with the platform from which Leaf Resources will pursue the development of its first commercial project in FY2018.

There have been a number of highlights across the past 12 months, including the addition of new world-class strategic partners, the strengthening of our board with decades of chemical industry expertise and the recognition from Governments and industry players in the power of the Glycell™ process and the opportunity it presents in reshaping the world's green chemicals industry.

The result of this hard work is that the Company is now ideally positioned to focus on its first commercial plant. We are rapidly moving ahead in pursuit of this opportunity in the state of Malaysia, a country which is ideally suited to the creation of a high-value bio-based industry in which Leaf's Glycell™ 2G sugar process can play a crucial role.

Key Partners

Leaf entered the 2017 financial year with the signing of our agreement with joint development partner Claeris HoldCo, LLC. The deal with Claeris saw the establishment of a joint venture entity, Leaf Development, LLC. This joint venture has been the catalyst for a year of rapid progress towards Leaf's strategic and commercial milestones.

Following the establishment of Leaf Development, the joint venture signed a series of agreements with agencies of the Malaysian Government to advance the development of at least one commercial-scale, second generation, biobased-chemical production facility in Malaysia that will utilise the Glycell™ process.

This agreement was followed by the addition of a number of marquee partners to Leaf's network, including a collaboration agreement with the world's largest producer of industrial enzymes, Novozymes (NZYMB:DC Market Cap AUD$18 billion).

In addition to being a leader in its field, Novozymes is one of the world's most innovative companies and this agreement is one of the most significant validations of the Glycell™ process that we have had. Through this collaboration, Novozymes expert team is developing a highly tailored enzyme package which will further enhance the benefits of Leaf's Glycell™ process ensuring that its quality and competitiveness remain compelling.

Malaysian Opportunity

The culmination of these strategic agreements is the ongoing and deep discussions with the Malaysian Government for the development of Leaf's first commercial facility to be located in that country.

The opportunity in Malaysia is compelling for Leaf - the country has a well-developed national biomass strategy, vast resources of biomass that is ready to use and can be delivered economically to site, as well as state and national government policies that encourage investment in the biomass industry.

Negotiations with the Malaysian Government have now yielded two potential sites, in Johor and Sarawak, economic sources of biomass as well as a range of potential state and federal government finance incentives which will underpin the project finance package for one or more developments. Both locations provide compelling opportunities for Leaf and the Company is now actively pursuing these in parallel.

The opportunity in Malaysia was a key focus of the national investor road show which Leaf undertook in July, where we were joined by Mr Charles Davis, Managing Partner of Claeris, meeting with more than 100 investors across four states. A highlight of these events was the presentation from Mr Davis who provided shareholders with the background to how Claeris came to invest in and partner with Leaf Resources and the compelling opportunity that the Glycell technology presents in changing the face of the renewable chemicals industry. A video of his presentation is available at: Leaf Resources.

Board

During the year Leaf added additional expertise to its team through the appointment of two new Non-Executive Directors who boast extensive chemicals industry experience that will prove critical as the Company progresses through the development phase of its first commercial facility.

The first of these appointments came in November 2016 when Mr Doug Rathbone was appointed as a Non-Executive Director. Mr Rathbone, a chemical engineer by trade, served as the Chief Executive Officer and Managing Director of Nufarm Limited from 1999 to 2015, and previously as Managing Director of Nufarm Australia from 1982.

In June, Leaf further strengthened its board with the appointment of Mr Bill Baum as a Non-Executive Director. Mr Baum is widely recognised as a leader in the renewable and bio based chemicals industry where he has held executive, Director and consultancy positions across a more than 40-year career.

Fund Raising

Across the past year Leaf has received strong support from new and existing investors raising $4.95 million through share placements. In addition Leaf has raised a further $1.65m through an entitlements issue which closed on August 3rd 2017 and additional placements

Leaf also received $512,479 last October from the R&D tax incentive and a further $79,486 in January following the approval of our Advance Finding for Leaf's Biofuels Development Program. The Company was also successful in receiving two rounds of funding which totalled $199,579 under the Export Market Development Grant.

Conclusion

As always, we would like to thank the Leaf team, whose innovation, skills and hard work have ensured our Company has been able to pursue and execute on the exciting opportunities outlined above.

We would also like to thank shareholders for their support across the year and look forward to your support in the coming year ahead. We have an exciting path ahead for our Company and look forward to sharing the journey with you.

Dr Jay Hetzel
Chairman

Ken Richards
Managing Director

Directors Report

The Directors of Leaf Resources Limited ('Leaf Resources') present their report together with the financial statements of the consolidated entity, being Leaf Resources Limited ('the Company') and its controlled entities ('the Group') for the year ended 30 June 2017.

Dr Jay Hetzel - Chairman

Dr Hetzel has been involved in the development and commercialisation of technology for the past 17 years. Previously he had a distinguished scientific career with the CSIRO in the field of Animal Genetics. In 1998 he co-founded Genetic Solutions Pty Ltd to commercialise genomics technology in livestock and the company was sold to Pfizer Animal Health in 2008. Dr Hetzel holds a Bachelor in Agricultural Sciences (Hons) from the University of Melbourne and a PhD in Animal Genetics from the University of Sydney. Jay has served on a number of industry and government advisory groups for over 10 years. He is currently a non-executive Director of ASX listed Anatara Lifesciences. Jay is a Fellow of the Australian Academy of Technological Sciences and Engineering and a Fellow of the Australian Institute of Company Directors.

Chair of the Board	Appointed 12 September 2012
Member of the Audit Committee	Appointed 11 August 2011
Non-Executive Director	Appointed 1 August 2011
Other current listed directorships	Anatara Life Sciences Ltd (appointed August 2014)
Previous directorships (last 3 years)	None
Interests in shares and options as at the date of this report	4,212,923 ordinary shares 1,950,000 unlisted options

Ken Richards - Managing Director

Ken has more than 30 years' experience as a Chief Executive and Managing Director across both public and private companies in the agriculture, finance and technology sectors. Throughout his executive career, Ken has developed a strong track record for growing and transitioning start-up companies from concept phase through to commercialisation. Along the way he has completed corporate transactions including capital raisings, takeovers and asset sales well in excess of $200m. Ken is a fellow of the Australian Institute of Company Directors and is currently a board member of Golf Australia. He holds a Bachelor of Commerce and Master of Business Administration degrees from the University of WA.

Managing Director	Appointed 1 August 2011
Executive Director	Appointed 31 August 2007
Other current listed directorships	None
Previous directorships (last 3 years)	Dubber Corporation Ltd (June 2003 - March 2017)
Interests in shares, options and performance rights as at the date of this report	14,601,919 ordinary shares 1,500,000 unlisted options 777,780 unlisted performance rights

Matthew Morgan - Non-Executive Director

Matthew has over 10 years of executive management experience in private equity funded portfolio companies and 7 years as a venture capitalist. He is experienced in capital raisings, mergers and acquisitions. He is currently Chairman at ASX listed company Sensera Limited and non-executive Director of Brain Resource Limited. He is the principal of Millers Point Company, an advisory business that provides consulting and advisory services to emerging companies with high growth or turnaround objectives. Matthew holds a B.Commerce, B. AppSc and an MBA from the Queensland University of Technology. He was also the first Australian to be awarded a Kauffman Fellowship.

Non-Executive Director	Appointed 21 July 2014
Chair of the Audit Committee	Appointed 11 August 2014
Other current listed directorships	Sensera Limited (appointed 23 December 2016) Brain Resource Limited (appointed March 2016)
Previous directorships (last 3 years)	Diversa Ltd (Aug 2008 - Sep 2016) Bluechip Ltd (Feb 2014 - Mar 2016) 3D Medical Limited (Feb 2015 - May 2015)
Interests in shares and options as at the date of this report	1,453,206 ordinary shares 1,175,000 unlisted options

Doug Rathbone - Non-Executive Director

Doug has extensive experience in agriculture with broad knowledge across the whole sector from production to processing. He is a chemical engineer by training and served as the Chief Executive Officer and Managing Director at Nufarm Limited from 1999 to 2015, and previously as Managing Director of Nufarm Australia Limited from 1982.
Doug is the Chairman of Rathbone Wine Group, a Director of Cotton Seed Distributors and AgBiTech, and a member of Rabobank Advisory Board. He is a former Board member of the CSIRO. He has won a number of distinguished awards. They include a Centenary Medal in 2003, for outstanding service to science and technology, and the Rabobank Agribusiness Leader of the Year in 1999. He has also been listed several times in Engineers Australia top 100 most influential engineers and was awarded the Institute Engineers Australia 'Sheddon Pacific' medal for excellence in engineering.

Non-Executive Director	Appointed 1 November 2016
Member of the Audit Committee	Appointed 1 November 2016
Other current listed directorships	Cann Group Limited (appointed 3 May 2017)
Previous directorships (last 3 years)	Nufarm Limited (1999 - 4 February 2015)
Interests in shares and options as at the date of this report	903,449 ordinary shares 3,000,000 unlisted options

William Baum - Non-Executive Director

Bill has been an independent consultant in the bio based chemicals and fuels industry, since 2014. From 2010 to early 2014, Bill was Executive Chairman and Chief BD Officer at Genomatica, where he negotiated and closed major partner and licensing deals. He served on the Genomatica Board, 2006-2016. He has held a variety of executive positions both in the United States and internationally, serving the oil refining, petrochemicals and pulp & paper and chemicals industries.
Bill continues to be engaged as a business strategy and deal transaction consultant with a number of renewable and sustainable companies working in biofuels, bio based chemicals, agbiotech/biomass and human/animal nutrition.
Bill serves as a board director at Gevo Inc., a publicly traded biofuels company based in Colorado. Bill holds a B.S. in Chemistry from Widener University.

Non-Executive Director	Appointed 16 June 2017
Member of the Audit Committee	Appointed 16 June 2017
Other current listed directorships	None
Previous directorships (last 3 years)	None
Interests in shares and options as at the date of this report	800,000 unlisted options

Charles Wilson - Non-Executive Director

Having originally qualified in Civil Engineering (University of New Zealand), Charles has had some 40 years of experience in senior project and construction management roles primarily associated with major building and development projects. During his career with a major Australian listed construction / development company, he was based in Canberra, Townsville, Darwin, Sydney and since 1974 in Perth, Western Australia. Charles held the position of non-executive Director at Leaf Resources Limited from May 2007 to November 2016.

Non-Executive Director	Appointed 21 May 2007 Resigned 1 Nov 2016
Audit Committee	Appointed Aug 2010 – Nov 2016
Chair of Audit Committee	Resigned 11 August 2014
Other current listed directorships	None
Previous directorships (last 3 years)	None
Interests in shares and options as at the date of this report	13,610,197 ordinary shares 375,000 unlisted options

Ian Hobson- Company Secretary

Ian is a chartered accountant and chartered company secretary with over 30 years' experience and acts as non-executive director, company secretary and financial controller for ASX listed companies, unlisted public companies, large private companies, indigenous organisations, Trustee companies and not for profits.
Ian's clients are from a diverse range of industries including mining exploration, technology, biomedical science, charitable concerns, engineering and indigenous affairs. In addition to the usual governance and finance roles Ian undertakes, he has specialised in IPO's, reverse take-overs, capital raisings, prospectus drafting and due diligence.
Ian was appointed company secretary on 1 August 2017.

Helen Pennisi- Company Secretary

Helen is a Certified Practising Accountant and the Group Chief Financial Officer. She holds a Bachelor of Business (Accountancy) from the Queensland University of Technology, a Diploma of Financial Services (Financial Planning) and is a Chartered Tax Advisor. Helen was appointed company secretary on 1 March 2015 and resigned on 1 August 2017. She continues in her role as Group Chief Financial Officer.

Principal activities

During the year, the principal activities of entities within the Group were:

• The commercial development of the Group's GlycellTM process including:
  - Investigating and implementing technical improvements to the process;
  -Broadening the range of biomass that can be used with the GlycellTM process
  -Assessing potential commercial products from the C5 and C6 sugars, lignin and glycerol produced from the Glycell™ process;
• Actively engaging with Malaysian government and other parties on a potential biorefinery using the Glycell™ process in Malaysia;
• Assessing a potential biorefinery project in Queensland under the BioFutures programme;
• The management of the Group's intellectual property and patent portfolio.

Chairman/CEO report and financial results

• Information on the operations of the group and its business strategies and prospects is set out in the Chairman/CEO report and activities on pages 3-5 of this annual report.
• The Group's operating loss after the R&D income tax incentive refund for the year ended 30 June 2017 amounted to $7,219,515 (30 June 2016 – $2,606,254 loss).

Significant changes in the state of affairs

Significant changes in the state of affairs of the group during the financial year were as follows.

Issued capital increased by $5,533,138 (from $40,826,866 to $46,360,004) as the result of:
• placements to sophisticated investors as part of the capital raising program ($4,762,672),
• share based payments ($770,466)

During the year the company issued 18,477,742 options:
• to our joint venture partner (1,557,052 options)
• to non-executive directors as approved by shareholders at the extraordinary general meeting held on 15 December 2016 (5,000,000 options)
• to shareholders who participated in the private placement in February 2017 (8,620,690 options)
• to a supplier of professional services (2,500,000 options)
• to a non-executive director as approved by shareholders at the company's extraordinary general meeting held on 16 June 2017 (800,000 options)

During the year the company granted 3,504,908 rights under the Performance Rights Plan to:
• the managing director – 909,090 rights (approved by shareholders at the 2016 annual general meeting);
• other employees – 2,595,818 rights
At 30 June 2017 none of the performance rights granted during the year had vested.

On 1 July 2017 the following rights vested:
• granted to employees – 646,255 rights

On 1 July 2017 the following rights lapsed:
• granted to the managing director – 909,090 rights
• granted to employees – 1,949,563 rights

Events arising since the end of the reporting period
Since the end of the reporting period, the Company has:
• conducted a 1 for 10 non-renounceable rights issue at an issue price of $0.09 per share that raised $1,582,985 in entitlement acceptances and shortfall applications;
• additional demand resulted in a further placement of shares at an issue price of $0.09 raising $82,914.21.
• Leaf Malaysia OpCo Sdn. Bhd., a wholly owned subsidiary of Leaf Development, LLC was incorporated in Malaysia.

Dividends
Since the end of the previous financial year no dividends have been paid or declared by the Group, and the directors of the Group recommend that no dividend be provided for the year ended 30 June 2017.

Environmental issues
The Group is not aware of any adverse environmental protection issues with any of its operations

Director's Name	Board Meetings		Audit & Risk Committee		Remuneration Committee	
	A	B	A	B	A	B
Jay Hetzel	7	7	2	2	1	1
Ken Richards	7	7	N/A	N/A	N/A	N/A
Matt Morgan	7	7	2	2	1	1
Doug Rathbone	4	4	1	1	0	0
Bill Baum	1	1	0	0	0	0
Charles Wilson	3	3	1	1	1	1

Where: Column A is the number of meetings the Director was entitled to attend
Column B is the number is meetings the Director attended

Remuneration Report (audited)
The Directors of Leaf Resources Limited ('the Group') present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

The Remuneration Report is set out under the following main headings:
a. Principles used to determine the nature and amount of remuneration
b. Details of remuneration
c. Service agreements
d. Share-based remuneration
e. Bonuses included in remuneration
f. Other information

(a) Principles used to determine the nature and amount of remuneration
A distinction is made between the structure of remuneration for non-executive directors and executives.
The objectives of the executive remuneration policy are:
• to motivate executive management to manage and lead the business successfully and to drive strong long-term organisational growth in line with the strategy and business objectives;
• to drive successful organisational performance by incorporating an annual performance incentive and establish longer-term performance objectives;
• to further drive longer-term organisational performance through an equity-based reward structure;
• to make sure that there is transparency and fairness in the executive remuneration policy and practices;
• to deliver a balanced solution addressing all elements of total pay – base pay, incentive pay (cash and shares) and other benefits;
• to make sure appropriate superannuation arrangements are in place for executives; and
• to contribute to appropriate attraction and retention strategies for executives.

The objectives of the non-executive director remuneration policy are:

• to attract and retain appropriately qualified and experienced directors;
• to remunerate directors fairly having regard to their responsibilities, including providing leadership and guidance to management; and
• to build sustainable shareholder value by encouraging a longer-term strategic perspective.

Executive remuneration packages
It is intended that base salaries take into account market relativities, having regard to the need for the Company to attract, motivate and retain executives.

The Board decides the remuneration based on recent market conditions and executive's direct accountability and responsibility for the operational management, strategic direction and decision-making for the Company and demonstrated leadership. There is no guaranteed base pay increases included in any executive's contract and the payment of bonuses is reviewed by the Remuneration Committee for approval against performance criteria.

The remuneration structure that has been adopted by the Group consists of the following components:

• fixed remuneration being annual salary or fees;
• short term incentives being performance based bonuses; and
• medium to long term incentives.
• the Company has performance conditions linked to the executive's short term incentives and this involves the use of annual performance objectives, performance appraisals and an emphasis on the contribution to the team and values. The criteria are set annually after consultation with the Remuneration Committee and executives and are specifically tailored to the areas where each executive has a level of control and focus on where the board believe the greatest potential for expansion and execution of the business strategies. Given the stage of development of the company, the key performance indicators focus on non-financial measures and funding measures including strategic goals and technology development.
• the Company has market based performance conditions linked to the executive's medium to long term incentives. The criteria are set annually by the Remuneration Committee. Medium to long term incentives are paid through the Leaf Performance Rights Plan.

Non-executive director remuneration
On appointment to the board, all non-executive directors enter into a service agreement with the company. This summarises the board policies and terms, including pre-determined fixed remuneration and superannuation benefits relevant to the office of director. Non-executive directors' fees are reviewed annually by the board. The board surveys comparable remuneration levels in the external market and makes sure that fees and payments paid reflect the demands that are made and the responsibilities of directors. No retirement benefits accrue and the company does not pay directors additional fees for chairing board committees.

Shares granted
As a research and development phase company where significant revenues are yet to be generated and cash is restrained, the company seeks to preserve cash reserves through conservative expenditure patterns which may include issuing shares in lieu of fees and salaries.

Voting and comments made at the Company's 2016 Annual General Meeting
The company received 99.76% of "yes" votes on its remuneration report for the 2016 financial year. The company did not receive any specific feedback at the annual general meeting on its remuneration report.

Use of remuneration consultants
The company is committed to rewarding its employees with market competitive salary packages that recognise the characteristics and stage of our business. With the assistance of a recruitment consultant, a survey was undertaken in 2015 of other technology based listed enterprises and the results were used to benchmark the salary packages of key employees. The company did not receive a remuneration recommendation from the remuneration consultant. The company will continue to monitor the market in order to ensure that we reward staff appropriately and thereby retain team members who are so critical to the company's success.

Consequences of performance on shareholder wealth
In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four (4) financial years:

	2017	2016	2015	2014	2013
EPS (cents)	(4.32)	(2.07)	(1.80)	(2.45)	(0.72)
Dividends (cents/shares)	-	-	-	-	-
Net profit/(loss) ($)	(7,219,515)	(2,606,254)	(1,913,485)	(1,528,383)	(358,611)
Share price ($)	0.11	0.115	0.16	0.05	0.05

(b) Details of remuneration

Details of the nature and amount of each element of the remuneration of each Key Management Personnel ("KMP") of Leaf Resources Limited are shown in the table below:

Director and other Key Management Personnel remuneration

		Short term employee benefits	Post emploment benefits	Long Term	Termination benefits	Share based payments					Performance based percentage of remuneration
Employee	**Year**	**Cash salary and fees**	**Cash bonus**	**Super-annuation**	**Long service leave**	**Termination payments**	**Shares**	**Options**	**Performance Rights**	**Total**	
Executive Director											
Ken Richards	**2017**	**320,000**	**-**	**30,400**	**0**	**--**	**0**	**0**	**43,338[A]**	**393,738**	**11%**
	2016	240,000	-	29,133	-	-	0	5,846[B]	126,022[B]	401,001	33%
Non-Executive Directors											
Jay Hetzel	**2017**	**67,933**	**-**	**6,454**	**-**	**-**	**0**	**76,349[C]**	**-**	**150,736**	**0%**
	2016	33,112	-	6,204	-	-	32,162[D]	-	-	71,478	0%
Charles Wilson	**2017**	**-**	**-**	**1,231**	**-**	**-**	**12,936[C]**	**-**	**-**	**14,167**	**0%**
	2016	19,404[E]	-	3,586	-	-	18,290[D]	-	-	41,280	0%
Matthew Morgan	**2017**	**56,875**	**-**	**-**	**-**	**-**	**25,000[C]**	**50,899**	**-**	**132,774**	**0%**
	2016	22,987	-	-	-	-	18,292[D]	-	-	41,279	0%
Doug Rathbone	**2017**	**51,588**	**-**	**2,621**	**-**	**-**	**21,000**	**235,526**	**-**	**310,735**	**0%**
	2016	-	-	-	-	-	-	-	-	-	0%
Bill Baum	**2017**	**-**	**-**	**-**	**-**	**-**	**-**	**46,543[F]**	**-**	**46,543**	**0%**
	2016	-	-	-	-	-	-	-	-	-	0$
Other Key Management Personnal Chief Operating Officer											
Alex Baker	**2017**	**219,178**	**-**	**20,822**	**-**	**-**	**-**	**-**	**124,635**	**364,635**	**34%**
	2016	217,656	31,963	23,714	-	-	-	-	7,484	280,817	15%
2017 Total	**2017**	**715,574**	**-**	**61,528**	**-**	**-**	**58,936**	**409,317**	**167,973**	**1,413,328**	
2016 Total	2016	533,159	31,963	62,637	-	-	68,744	5,846	133,506	835,855	

A. At the Company's annual general meeting held on 25 October 2016, shareholders approved the issue of 909,090 performance rights to Ken Richards as part of the Company's long term incentive program 2016/2017 ($35,335). These performance rights lapsed on 1 July 2017 due to the performance condition not being met. In addition, the value of performance rights granted during the 2016 financial year and expensed during the current financial year has been recognised ($8,003).

B. At the Company's annual general meeting held on 25 November 2015, shareholders approved the issue of 1,444,447 performance rights* to Ken Richards being:
- in lieu of payment of 2014/2015 short-term incentive bonus ($50,000) (333,333 Rights), issued in January 2016 and vested on 1 July 2016;
- in lieu of salary foregone during the year ended 30 June 2016 ($66,667) (444,447 Rights), issued in January 2016 and vested on 1 July 2016;
- as part of the Company's long term incentive program 2015/2016 ($9,355) (666,667 Rights), issued in January 2016 and lapsed on 1 July 2016.

* The performance rights granted as part of the Company's long term incentive program were valued using the Monte Carlo simulation method. The performance rights have an exercise price of $nil and expire on 11 January 2021.
In addition, the value of options that vested during the 2016financial year has been recognised ($5,846).

C. At the Company's extraordinary general meeting held on 15 December 2016, shareholders approved the following issues of shares and options to non-executive directors. The issues were made on 23 December 2016 to:
- Jay Hetzel, 1,200,000 options as an incentive for non-executive directors ($76,349);
- Charles Wilson, 83,458 ordinary shares in lieu of director fees for the period 1 July 2016 to 31 October 2016 ($12,936);
- Matt Morgan, 800,000 options as an incentive for non-executive directors ($50,899) and 172,414 shares as part payment of consulting fees ($25,000);
- Doug Rathbone, 1,000,000 options as an incentive for non-executive directors ($78,509);
- Doug Rathbone, 2,000,000 options as part payment of advisory and consulting fees ($157,017) and 144,828 shares as part payment of advisory and consulting fees ($21,000).

D. At the Company's annual general meeting held on 25 November 2015, shareholders approved the following issues of shares to non-executive directors in lieu of payment of their directors' fees for the period 1 January 2015 to 31 December 2015. The shares were issued on 1 December 2015 to:
- Jay Hetzel, 416,213 shares ($32,162)
- Charles Wilson, 228,933 shares ($18,290)
- Matthew Morgan, 228,986 shares ($18,292)

E. At the Company's annual general meeting held on 25 October 2016, shareholders approved the issue of 161,700 shares to Charles Wilson in lieu of his director fees for the period 1 January 2016 to 30 June 2016 ($19,404). These director fees had been accrued at 30 June 2016. The shares were issued on 8 November 2016.

F. At the Company's extraordinary general meeting held on 16 June 2017, shareholders approved the issue of 800,000 options to Bill Baum as an incentive for non-executive directors ($46,543). The options were issued on 3 July 2017, and grant date was determined to be 16 June 2017.

(c) Service agreements

Remuneration and other terms of employment for the Executive Director and other Key Management Personnel are formalised in a Service Agreement. The major provisions of the agreements relating to remuneration are set out below:

Name	Base Salary including superannuation*	Term of agreement	Notice Period	Termination payments**
K Richards	350,400	No fixed term	Six months	Six months
A Baker	240,000	No fixed term	Three months	Three months

*Base salaries quoted are for the year ended 30 June 2017; they are reviewed annually by the board.

**Base salary payable if the company terminates in lieu of notice or for a period less than the notice period.

(d) Share-based remuneration

The terms and conditions of each grant of performance rights and options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Vesting date[A]	Expiry date	Exercise price	Value[B]	%Vested
Options					
16-Jun-2017[C]	03-Jul-2017	03-Jul-2022	$0.22	$0.058	100%
23-Dec-2016	23-Dec-2016	23-Dec-2021	$0.22	$0.064	100%
23-Dec-2016	23-Dec-2016	23-Dec-2021	$0.145	$0.079	100%
03 Sept-2014	03-Sep-2014	03-Sep-2018	$0.10	$0.030	100%
17-Dec-2013	17-Dec-2013	17-Dec-2017	$0.10	$0.016	100%
17-Dec-2013	17-Dec-2014 17-Dec-2015	17-Dec-2017 17-Dec-2017	$0.10 $0.10	$0.016 $0.016	100% 100%
28-Oct-2013	20-Dec-2014	20-Dec-2016	$0.10	$0.011	100%
20-Dec-2012	20-Dec-2013 20-Dec-2014	20-Dec-2016 20-Dec-2016	$0.10 $0.10	$0.019 $0.020	100% 100%
Performance Rights					
01-Dec-2016	01-Jul-2017	01-Dec-2021	$nil	$0.016	100%
01-Dec-2016[D]	01-Jul-2017 01-Jul-2018 01-Jul-2019	01-Dec-2021 01-Dec-2021 01-Dec-2021	$nil $nil $nil	$0.074 $0.073 $0.073	0% 0% 0%
11-Jan 2016	01-Jul-2016	11-Jan-2021	$nil	$0.15	100%

A. A - Option grants with multiple vesting dates occurred over two tranches with 50% vesting 12 months from grant date and the balance 24 months from grant date. Performance rights granted with multiple vesting dates will occur over three tranches, subject to specified performance criteria being met, with 1/3 vesting on 1 August 2017, 1/3 on 1 August 2018 and 1/3 on 1 August 2019.
B. Value per option or performance right at grant date.
C. Options vested on 3 July 2017.
D. Performance conditions were not met and performance rights have not vested.

All performance rights and options are over ordinary shares in the Company, which are exercisable on a one-for-one basis under the terms of the agreements. Options granted to the non-executive directors are under the employee share option plan and performance rights granted to the managing director and chief operating officer are under the Leaf Resources Limited Performance Rights Plan.

The non-executive directors' options have vested immediately and the executives' options will vest subject to continued employment until the end of the arranged vesting period. Upon vesting, each option allows the holder to purchase one ordinary share at $0.10 with the exercise period expiring four years after grant date. The options carry no dividends or voting rights and when exercisable, each option is convertible into one ordinary share. The options were provided at no cost to the recipient. All options expire on the earlier of their expiry date or termination of the individual's employment.

During the year, the chief operating officer was granted performance rights in lieu of a cash bonus. The managing director and the chief operating officer were granted performance rights under the Company's long term incentive (LTI) plan. The vesting conditions to be met for entitlement to the performance rights are:

• in respect of the performance rights granted in lieu of cash bonus, the continuation of employment up to and including 1 July 2017 at which time the performance condition was met and the rights immediately vested.
• in respect of the performance rights granted under the LTI plan, an increase in the Company's share price from June 2016 VWAP of $0.11 to June 2017 VWAP of between $0.16.5 and $0.22 at which time the rights would vest in three equal annual instalments from the first vesting date of 1 July 2017. This vesting condition was not achieved and the LTI performance rights have lapsed.

Name	Number Granted	Grant Date	Value^	Number Vested	Year May Vest
J Hetzel	750,000 options 1,200,000 options	17 Dec 2013[B] 23 Dec 2016[F]	$11,910 $76,349	750,000 1,200,000	Vested Vested
M Morgan	375,000 options 800,000 options	3 Sep 2014[C] 23 Dec 2016[F]	$11,375 $50,899	375,000 800,000	Vested Vested
D Rathbone	3,000,000 options	23 Dec 2016[F]	$235,526	3,000,000	Vested
W Baum	800,000 options	16 Jun 2017[G]	$46,543	800,000	3 July 2017
K Richards	1,500,000 options 777,780 rights 909,090 rights	17 Dec 2013[B] 11 Jan 2016[D] 1 Dec 2016[E]	$24,093 $116,667 $76,454	1,500,000 777,780 Nil	Vested Vested Lasped
A Baker	564,935 rights 727,273 rights	1 Dec 2016 1 Dec 2016	$62,143 $61,164	564,935 Nil	Vested Lasped
C Wilson	375,000 options	17 Dec 2013[H]	$5,955	375,000	Vested

A. The assessed fair value at grant date of options and LTI rights granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount recognised for the year ended 30 June 2017 is included in the remuneration tables above. Fair values of options at grant date are determined using The Hull-White option pricing model that takes into account various input assumptions. Fair values of performance rights with market based performance conditions at grant date are determined using Monte Carto simulation method. Details of the inputs are disclosed in Note 27.
B. Options issued to directors of the company and approved by shareholders at the annual general meeting held on 28 November 2013.
C. Options issued to directors of the company and approved by shareholders at an extraordinary general meeting on 28 August 2014.
D. Performance rights granted to the managing director and approved by shareholders at the annual general meeting held on 25th November 2015. In accordance with that resolution, the performance rights have been valued at the closing share price on 30 September 2015.
E. Performance rights granted to the managing director and approved by shareholders at the annual general meeting held on 25 October 2016. In accordance with that resolution, the performance rights have been valued at the VWAP of shares during June 2016.
F. Options issued to directors of the company and approved by shareholders at a general meeting on 15 December 2016.
G. Options issued to a director of the company and approved by shareholders at an extraordinary general meeting on 16 June 2017.
H.These options issued to these directors of the company were approved by shareholders at the annual general meeting held on 28th November 2013.

(e) Bonuses included in remuneration

For each cash bonus and grant of securities included in the remuneration table, the percentage of the available bonus or grant that was paid, or that vest in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. Bonuses vest after the end of the financial year to which they relate. Short term incentive bonuses are paid in cash or by issuing performance rights to employees as incentives during the year. Long term incentive bonuses are granted as performance rights during the year but vest after the end of the financial year. At the date of this report, no short-term incentive bonuses in respect of the 2017 financial year had been set by the Board.

Name	Year	Percentage vested in year	Percentage forfeited in year	% in Cash	% As share based payment	Number of Securities
K Richards: performance criteria	2017	Nil%	Nil%	Nil%	100%	909,090 performance rights[A]
	2016	Nil%	Nil%	Nil%	100%	1,000,000 performance rights[B]
A Baker: performance criteria	2017	Nil%	Nil%	Nil%	100%	1,292,208 performance rights[C]
	2016	50%	50%	82%	18%	533,333 performance rights[D]

A. The performance rights relate to LTI and lapsed on 1 July 2017.
B. On 1 July 2016, 333,333 of the performance rights vested and 666,667 of the performance rights which relate to LTI lapsed.
C. On 1 July 2017, 564,935 of the performance rights vested and 727,273 of the performance rights which relate to LTI lapsed.
D. The 533,333 performance rights relate to LTI and lapsed on 1 July 2016.

(f) Other Information
Options and performance rights held by key management personnel

The number of options held by each key management peronnelor their related entities during the financial year is as follows:

Movement during period					
	Balance 01-07-16	**Granted as Compensation**	**Number Exercised**	**Net Change Other**	**Balance 30-06-17**
Year ended 30 June 2017					
Options					
J Hetzel	750,000	1,200,000	-	-	1,950,000
C Wilson[A]	375,000	-	-	-	375,000
M Morgan	375,000	800,000	-	-	1,75,000
D Rathbone[B]	-	3,000,000	-	-	3,000,000
W Baum[C]	-	800,000	-	-	800,000
K Richards	1,500,000	-	-	-	1,500,000
A Baker	800,000	-	(800,000)	-	-
Sub-Total	**3,800,000**	**5,800,000**	**(800,000)**	**-**	**8,800,000**
Performance Rights					
K Richards	1,444,447	909,090	-	(666,667)	1,686,870
A Baker	533,333	1,292,208	-	(533,334)	1,292,207
Sub-Total	**1,977,780**	**2,201,298**	**-**	**(1,200,001)**	**3,512,411**
Total	**5,777,780**	**8,001,298**	**(800,000)**	**(1,200,001)**	**12,312,411**

	Balance 01-07-15	**Granted as Compensation**	**Number Exercised**	**Net Change Other**	**Balance 30-06-16**
Year ended 30 June 2016					
Options					
J Hetzel	750,000	-	-	-	750,000
C Wilson[A]	375,000	-	-	-	375,000
M Morgan	375,000	-	-	-	375,000
K Richards	1,500,000	-	-	-	1,500,000
A Baker	1,500,000	-	(700,000)	-	800,000
	4,500,000	-	(700,000)	-	3,800,000
Performance Rights					
K Richards	-	1,444,447	-	-	1,444,447
A Baker	-	533,333	-	-	533,333
Sub-Total	**-**	**1,977,780**	**(700,000)**	**-**	**1,977,780**
Total	**4,500,000**	**1,977,780**	**(700,000)**	**-**	**5,777,780**

Number held at balance date					
	Balance 30-06-17	**Total vested 30-06-17**	**Total Exercisable 30-06-17**	**Net change other or forfeited**	**Total Un-Exercisable 30-06-17**
Year ended 30 June 2017					
Options					
J Hetzel	1,950,000	1,950,000	1,950,000	-	-
C Wilson[A]	375,000	375,000	375,000	-	-
M Morgan	1,175,000	1,175,000	1,175,000	-	-
D Rathbone[B]	3,000,000	3,000,000	3,000,000	-	-
W Baum[C]	800,000	-	-	-	800,000
K Richards	1,500,000	1,500,000	1,500,000	-	-
A Baker	-	-	-	-	-
	8,800,000	**8,000,000**	**8,000,000**		**800,000**
Performance Rights					
K Richards	1,686,870	333,333	333,333	1,444,447	-
A Baker	1,825,541	-	-	533,333	-
	3,512,411	333,333	333,333	1,977,780	-
Total	**12,312,411**	**8,333,333**	**8,333,333**	**1,977,780**	**2,777,780**

Number held at balance date					
	Balance 30-06-16	**Total vested 30-06-16**	**Total Exercisable 30-06-16**	**Net change other or forfeited**	**Total Un-Exercisable 30-06-16**
Year ended 30 June 2016					
Options					
J Hetzel	750,000	750,000	750,000	-	-
C Wilson[A]	375,000	375,000	375,000	-	-
M Morgan	375,000	375,000	375,000	-	-
K Richards	1,500,000	1,5000,000	1,500,000	-	-
A Baker	800,000	800,000	800,000	-	-
	3,800,000	3,800,000	3,800,000	-	-
Performance Rights					
K Richards	1,444,447	-	-	-	1,444,447
A Baker	533,333	-	-	-	533,333
	1,977,780	-	-	-	1,977,780
Total	**5,777,780**	**3,800,000**	**3,800,000**	**0**	**1,977,780**

Shares held by Key Management Personnel

The number of ordinary shares in the Company during the 2017 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out below:

	Balance 01/07/16	**Shares issued in lieu of cash remuneration foregone**	**Recevied on Exercise**	**Other Changes**	**Held at 30/06/17**
J Hetzel	4,079,930	-	-	-	4,079,930
C Wilson[A]	10,327,776	245,158	-	1,704,317	12,277,251
M Morgan	1,118,965	172,414	-	29,719	1,321,098
D Rathbone[B]	-	144,828	-	689,656	834,484
W Baum[C]	-	-	-	-	-
K Richards	13,024,726	-	-	-	13,024,726
A Baker	2,879,062	-	800,000	(800,000)	2,879,062
	31,430,459	**562,400**	**800,000**	**1,623,692**	**34,416,551**

A. C Wilson ceased to be a key management personnel on 1 November 2016.
B. D Rathbone became a key management personnel on 1 November 2016.
C. W Baum became a key management personnel on 16 June 2017.

End of audited remuneration report.

Shares under option
Unissued ordinary shares of Leaf Resources Limited under option at the date of this report are:

Date granted	Expiry date	Exercise Price of shares	Number and type
16 June 2017	3 July 2022	$0.22	800,000 options
2 February 2017	15 March 2018	$0.20	11,120,690 options
23 December 2016	23 December 2021	$0.22	2,000,000 options
23 December 2016	23 December 2021	$0.145	3,000,000 options
1 December 2016	1 December 2021	$nil	3,504,908 rights[A]
1 August 2016	1 August 2021	$0.1375	1,557,052 options[B]
11 January 2016	11 January 2021	$nil	869,608 rights
28 October 2015	28 October 2018	$0.10	1,000,000 options[C]
3 September 2014	3 September 2018	$0.10	375,000 options
17 December 2013	17 December 2017	$0.10	2,625,000 options

A. At 1 July 2017, 646,255 of these rights vested and 2,858,653 of these rights lapsed.
B. At the reporting date, these options had not vested.
C. At the reporting date 500,000 of these options had not vested.

No option or performance rights holder has any right under the options or rights to participate in any other share issue of the company or any other entity.

During the financial year the Company issued 1,300,000 ordinary shares as a result of the exercise of December 2012 and October 2013 options.
End of audited remuneration report.

Indemnification of officers
During the financial year, Leaf Resources agreed to indemnify each director and secretary of the company and of its subsidiaries against any liability:
(a) to a party other than Leaf Resources or a related body corporate, but only to the extent that the liability arises out of conduct in good faith, and
(b) for legal costs incurred in connection with proceedings in respect of a liability incurred by them.
The amount payable under the agreement is the full amount of the liability. No liability has arisen under these indemnities as at the date of this report.

During the year, Leaf Resources paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all directors, executives, company secretary and officers.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of the insurance policy are not disclosed as such disclosure is prohibited under the terms of the contract.

Non-audit services
During the year, Grant Thornton, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

(a) All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and

(b) The non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out below.

	2017 $	2016 $
Audit and review of financial statements - **Grant Thornton**	55,133	41,259
Total audit and review remuneration	55,133	41,259
Taxation compliance services – **Grant Thornton**	8,275	6,729
Total taxation compliance services	8,275	6,729
Total auditor's remuneration	63,408	47,988

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is included on page 19 of this financial report and forms part of this Directors' Report.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

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

Directors' authorisation
Signed in accordance with a resolution of the Directors.

Dr Jay Hetzel
Chairman
Brisbane, Queensland, Australia
31 August 2017

Ken Richards
Managing director
Brisbane, Queensland, Australia
31 August 2017

Grant Thornton

Level 18
King George Central
145 Ann Street
Brisbane QLD 4000
Correspondence to:
GPO Box 1008
Brisbane QLD 4001

T + 61 7 3222 0200
F + 61 7 3222 0444
E info.qld@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration to the Directors of Leaf Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Leaf Resources Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M S Bell
Partner - Audit & Assurance

Brisbane, 31 August 2017

Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Notes	2017 $	2016 $
Revenue	6	-	50,000
Other Income	7	881,967	654,688
Mining lease expenses		(50,117)	(9,904)
Depreciation, amortisation and impairment	8	(576,040)	(4,585)
Employee benefits expense	8	(1,350,400)	(995,945)
Directors' & officers' fees & CEO		(1,096,093)	(571,548)
Business operation		(103,185)	(150,416)
Finance expense		(42,660)	(57,660)
Professional fees		(230,819)	(209,990)
Investor relations & corporate advisory		(389,303)	(238,951)
Travel and accommodation		(344,313)	(223,291)
Research and development		(1,185,843)	(762,243)
Patent and licence fees		(218,044)	(14,667)
Share of loss of equity accounted associate		(2,300,977)	-
Other expenses		(213,688)	(71,780)
Loss before income tax		**(7,219,515)**	**(2,606,254)**
Income tax expense		-	-
Loss for the year from continuing operations		(7,219,515)	(2,606,254)
Loss from discontinued operations		-	-
Loss for the year		(7,219,515)	(2,606,254)
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(48,953)	-
Income tax on items that may be reclassified to profit or loss	9	-	-
Other comprehensive income for the year, net of tax		(48,953)	-
Total comprehensive loss for the year		**(7,268,468)**	**(2,606,254)**

Earnings Per Share from Continuing Operations			
Basic loss per share (cents)	12	(4.32)	(2.07)
Diluted loss per share (cents)	12	(4.32)	(2.07)

Note: This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	2017 $	2016 $
Current Assets			
Cash and cash equivalents	14, 26(a)	573,727	1,045,551
Trade and other receivables	15	730,229	706,701
Total Current Assets		**1,303,956**	**1,752,252**
Non-Current Assets			
Investments accounted for using the equity method	16	86,243	-
Property, plant and equipment	17	37,004	28,685
Other financial assets	18	-	567,687
Intangible assets	19	-	-
Total Non-Current Assets		**123,247**	**596,372**
Total Assets		**1,427,203**	**2,348,624**
Current Liabilities			
Trade and other payables	20	349,514	313,089
Employee benefits	21	141,366	119,440
Provisions	22	50,000	125,000
Total Current Liabilities		**540,880**	**557,529**
Non-Current Liabilities		-	-
Employee benefits	21	24,762	17,686
Total Non-Current Liabilities		**24,762**	**17,686**
Total Liabilities		**565,642**	**575,215**
Net Assets		**861,561**	**1,773,409**
Equity			
Issued capital	23	46,360,004	40,826,866
Reserves	24	1,045,146	270,617
Accumulated losses	25	(46,543,589)	(39,324,074)
Total Equity		**861,561**	**1,773,409**

Note: This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Attributable to equity holders of the parent			
	Issued Capital $	**Accumulated Losses $**	**Reserves $**	**Total Equity $**
Balance at 1 July 2015	37,401,914	(36,717,820)	78,022	762,116
Loss for the year ended 30 June 2016	-	(2,606,254)	-	(2,606,254)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	**-**	**(2,606,254)**	**-**	**(2,606,254)**
Transactions with owners in their capacity as owners				
Issue of share capital	3,469,346	-	-	3,469,346
Share issue tansaction costs	(151,730)	-	-	(151,730)
Cost of share-based payments	107,336	-	192,595	299,931
Balance at 30 June 2016	**40,826,866**	**(39,324,074)**	**270,617**	**1,773,409**
Balance at 1 July 2016	**40,826,866**	**(39,324,074)**	**270,617**	**1,773,409**
Loss for the year ended 30 June 2017	-	(7,219,515)	-	(7,219,515)
Other comprehensive income	**-**	**-**	(48,953)	(48,953)
Total comprehensive loss for the year	**-**	**(7,219,515)**	**(48,953)**	**(7,268,468)**
Transactions with owners in their capacity as owners				
Shares issued	5,086,388	-	-	5,086,388
Share issue transactions costs	(323,716)	-	-	(323,716)
Share based payments	770,466	-	823,482	1,593,948
As at 30 June 2017	**46,360,004**	**(46,543,589)**	**1,045,146**	**861,561**

Note: This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Notes	2017 $	2016 $
Operating activities			
Reciepts from customers		27,500	36,757
Payments to suppliers & employees		(4,096,632)	(2,770,332)
Interest recieved		4,315	9,961
R&D tax incentive refund		591,966	410,569
Net cash from operating activities	**26(b)**	**(3,472,851)**	**(2,313,045)**
Investing activities			
Payments for investments in equity accounted joint venture		(1,735,042)	-
Purchase of property, plant and equipment	17	(26,603)	(12,466)
Payments for other financial assets		-	(542,904)
Net used in investing activities		**(1,761,645)**	**(555,370)**
Financing activities			
Proceeds from issue of share capital		5,086,388	3,366,970
Share issue transaction costs		(323,716)	(151,730)
Net cash from/(used in) financing activities		**4,762,672**	**3,215,240**
Net (decrease)/increase in cash and cash equivalents		(471,824)	346,825
Cash and cash equivalents		1,045,551	698,726
Cash and cash equivalents at the end of the financial year	**26(a)**	**573,727**	**1,045,551**

Note: This statement should be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of operations
Leaf Resources Ltd and Subsidiaries' (the Group) principal activities include the commercial development of the Group's GlycellTM process and management of the Group's intellectual property and patent portfolio. The Group is engaged in a joint venture, Leaf Development, LLC to develop up to five renewable chemical projects. The Group's joint operation, Six Mile Creek has now ceased its gravel mining operations.

2. General information and statement of compliance
The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian
Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Leaf Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

Leaf Resources Limited is the Group's Ultimate Parent Company. Leaf Resources Limited is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Suite 13, 8 Clunies Ross Court, Eight Mile Plains, Queensland 4113, Australia.

The consolidated financial statements for the year ended 30 June 2017 were approved and authorised for issue by the Board of Directors on 28 August 2017.

3. 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.

Through Leaf Development, LLC, its joint venture with Claeris, the Group has significantly progressed its commercialisation objectives for its proprietary technology GlycellTM . The Company is now ideally positioned to focus on its first commercial plant and is rapidly moving ahead with ongoing and deep discussions with the Malaysian Government for the development of Leaf's first commercial facility to be located in that country.

There will be a need to raise funds to progress to full commercialisation but this requirement for funds is dependent upon Claeris reaching agreed milestones in the development of projects. 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 as the projects near commercialisation.

Since the reporting date, the Company has raised $1.65m through a 1 for 10 non-renounceable rights issue and additional placement. The Directors have received early indications from several brokers that raising the required funds to bring the first commercial facility to fruition is achievable and as such, 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 these 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. During the reporting period the Company recognised an impairment in the value of its investment in ZeaChem and also recognised its share of loss from Leaf Development, LLC. Apart from this, 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.

4. Changes in accounting policies
(a) New and revised standards that are effective for these financial statements
A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2016. Information on the more significant standards is presented below.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations
The amendments to AASB 11 Joint Arrangements state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business;, as defined in AASB 3 Business Combinations, should:

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations

The amendments to AASB 11 Joint Arrangements state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business;, as defined in AASB 3 Business Combinations, should:
• Apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except principles that conflict with the guidance of AASB 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not re-measured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation: and
• Provide disclosures for business combinations as required by AASB 3 and other Australian Accounting Standards.
AASB 2014-3 is applicable to annual reporting periods beginning on or after 1 January 2016.

The Directors of the Company have considered the impact of AASB 2014-3 and concluded that the adoption of these amendments has not had a material impact on the Group.

AASB2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements

The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

AASB 2014-9 is applicable to annual reporting periods beginning on or after 1 January 2016.

The Directors of the Company have considered the impact of AASB 2014-9 and concluded that the adoption of these amendments has not had a material impact on the Group.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project.

The amendments:
• Clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information
• Clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated
• Add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position
• Clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order
• Remove potentially unhelpful guidance in AASB 101 for identifying a significant account policy

AASB 2015-2 is applicable to annual reporting periods beginning on or after 1 January 2016.

The Directors of the Company have considered the impact of AASB 2015-2 and concluded that the adoption of these amendments has not had a material impact on the Group.

(b) Accounting Standards issued nut not yet effective and not been adopted early by the Group
At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

AASB 9 Financial Instruments

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.

• Financial assets that are debt instruments will be classified based on (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.
• Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

• Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
• Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
  - The change attributable to changes in credit risk are presented in other comprehensive income (OCI);
  - The remaining change is presented in profit or loss.

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

• Classification and measurement of financial liabilities; and
• De-recognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul or hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

AASB 9 is applicable to annual reporting periods beginning on or after 1 January 2018.

The Company is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the Company's preliminary assessment the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 15 Revenue from Contracts with Customers

Establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The following key items are noted:

• Replaces AASB118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations
• Establishes a new control-based revenue recognition model
• Changes the basis for deciding whether revenue is to be recognised over time or at a point in time
• Provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
• Expands and improves disclosures about revenue

AASB 15 is applicable to annual reporting periods beginning on or after 1 January 2018.

The Company is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the Company's preliminary assessment the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 16 Leases

AASB 16 replaces AASB 117 Leases and some lease-related interpretations. The Standard requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases. In principle, it requires lessees to recognise operating leases on their balance sheet as lease liabilities with corresponding right-of-use assets.

In addition, the Standard:
• provides new guidance on the application of the definition of lease and on sale and ease back accounting
• largely retains the existing lessor accounting requirements in AASB 117
• requires new and different disclosures about leases.

AASB 16 is applicable to annual reporting periods beginning on or after 1 January 2019.

The Company is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Company's preliminary assessment the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

AASB 2014-10 Amendments to Australian Accounting Standards – Sale of Contribution of Assets between an investor and its Associate or Joint Venture

The amendments address a current inconsistency between AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures.

The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 Business Combinations. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business.

This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method.

Corresponding amendments have also been made to AASB 128.

AASB 2014-10 is applicable to annual reporting periods beginning on or after 1 January 2018.

The Company is yet to undertake a detailed assessment of the impact of AASB 2014-10. However, based on the Company's preliminary assessment the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

AASB 2016-2 is applicable to annual reporting periods beginning on or after 1 January 2017.

The Company is yet to undertake a detailed assessment of the impact of AASB 2016-2. However, based on the Company's preliminary assessment the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2018.

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

This Standard amends AASB 2 Share-based Payment to address:

- the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
- the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

AASB 2016-5 is applicable to annual reporting periods beginning on or after 1 January 2018.

The Company is yet to undertake a detailed assessment of the impact of AASB 2016-5. However, based on the Company's preliminary assessment the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

Interpretation 22 Foreign Currency Transactions and Advance Consideration

Interpretation 22 looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income.

Although AASB 121 The Effects of Changes in Foreign Exchange Rates sets out requirements about which exchange rate to use when recording a foreign currency transaction on initial recognition in an entity's functional currency, the IFRS Interpretations Committee had observed diversity in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognised.

Interpretation 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

Interpretation 22 is applicable to annual reporting periods beginning on or after 1 January 2018.

The Company is yet to undertake a detailed assessment of the impact of Interpretation 22. However, based on the Company's preliminary assessment the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

5. Summary of accounting policies

(a) Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

(b) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2017. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All Australian subsidiaries have a reporting date of 30 June. Leaf Resources USA, LLC has a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. A list of controlled entities is contained in Note 33 to the financial statements.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

(c) Investments in associates and joint arrangements

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries. A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Joint Venture

The Group is engaged in a joint venture, Leaf Development, LLC with Claeris HoldCo, LLC. The joint venture has been formed to develop up to five renewable chemical projects and is progressing negotiations to develop at least one commercial-scale, second generation, bio-chemical production facility in Malaysia that will utilise the Glycell™ process.

Joint Operation

The Group's subsidiary, AQL Mining Pty Ltd has been conducting a joint operation, the Six Mile Creek Joint Venture joint operation. The joint operation has exploited two mining tenements in Karratha, Western Australia, to mine and sell soil and gravel. AQL Mining Pty Ltd holds leases over these mining tenements and holds a 50% ownership interest in the joint operation equally with the joint operation partner.

The joint operation mining has ceased and the process of restoring the land held under the mining leases by AXL Mining Pty Ltd has been substantially completed but not yet finalised.

(d) Foreign currency transactions and balances

Functional and presentation currency

The consolidated financial statements are presented in Australian Dollars ($AUD), which is also the functional currency of the Parent Company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the Australian-Dollar ($AUD) are translated in $AUD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into $AUD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into #AUD at the closing rate. Income and expenses have been translated into $AUD at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

(e) Segment reporting

The Group had two (2) operating segments: technology & development and gravel mining operations. 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 mining business segment which supplies soil and general fill (Gravel) and has now ceased operations. From 1 July 2017 the gravel mining operations will no longer be reported as a separate operating segment.

These operating segments define the assets maintained by the Group and the corresponding revenue streams. The results as presented in the statement of profit or loss and other comprehensive income are consistent with the entities 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.

Further segment information is reported in Note 13.

As the gravel mining business has effectively ceased, it will not be reported as an operating segment after 30 June 2017.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in banks with a maturity profile equal to or less than 3 months.

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(h) Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the statement of profit or loss and other comprehensive income immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of impairment loss is recognised in the statement of profit or loss and other comprehensive income immediately.

(i) Income taxes
Leaf Resources Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current tax
Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group’s forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

(j) Receivables
Trade and other receivables are recorded at amounts due less any allowance for doubtful debts.

(k) Payables
Trade and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

(l) Financial instruments

Recognition, Initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provision of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables
- Financial assets at fair value through profit or loss (FVTPL)
- Held-to-maturity (HTM) investments; or
- Available-for-sale (AFS) financial assets

Al financial assets except for those at fair value through profit or loss (FVTPL) are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

(i)Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

(ii) Available-for- sale(AFS) financial assets

Available-for-sale (AFS) financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets relate to the Company's investment in ZeaChem Inc.

In June 2017, the ZeaChem board have provided information indicating that it is unlikely that shareholders will achieve any return on their investment. Based on this, the directors have determined the fair value of the investment to be $nil and an impairment has been recognised during the current year to reduce the carrying amount of the investment to its recoverable amount. Refer to Note 18.

(iii) Financial assets at fair value through profit or loss

Financial assets at FVTPL are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

(iv) Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation

(m) Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

Costs of mining site restoration are provided over the life of the mining lease approval from when production commences and are included in the costs of production. Site restoration costs include rehabilitation of the ground site in accordance with clauses of the mining permits and are reviewed annually and any change is reflected in the present value of the provision. Such costs have been determined using estimates of future costs based on current legal requirements and technology.

(n) Earnings per share
Basic earnings per share ("EPS") is calculated by dividing the net profit or loss attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue or rights issue that contains a bonus element.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue or rights issue that contains a bonus element.

(o) Revenue recognition
Revenue arises from the sale of goods and the rendering of services plus the Group's share of revenue of its joint operation. Revenue from the sale of goods is recognised when the Group entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Revenue from royalties is recognised when it is probable that it will be received and can be measured reliably. Licence revenue is recognised when it is probable that it will be received and can be measured reliably.

(p) Property, plant and equipment
Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net costs of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual report period.

The following depreciation rates are used in the calculation of depreciation:

- Plant and equipment	20% - 66.7%
- Leasehold improvements	5% - 10%
- Laboratory equipment	10%

(q) Leased assets
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on finance costs.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset. Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(r) Employee benefits
Provision is made for benefits accruing to employees in respect of wages and salaries, bonuses, annual leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

The Group's liability for long service leave is included in non-current employee benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur. The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

(s) Share based payments
The group operates equity-settled share-based payment employee share, performance rights and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price.

The fair value of performance rights which have a market linked performance criteria is ascertained using Monte Carlo simulation method. This method models the probability of the market linked performance criteria being achieved and is used to determine fair value at grant date. The modelling incorporates relevant factors including but not limited to the volatility of the stock, the share price at grant date and the period in which the performance criteria can be achieved.

The fair value of options is ascertained using a binomial or trinomial pricing model which incorporates all non-market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(t) Patent assets - Patent assets and licence assets
Patent and licence expenditure are recognised as intangible assets when it is probable that the patent will, after considering its commercial and technical feasibility, generate future economic benefits and its costs can be measured reliably. Other expenditures that do not meet these criteria are recognised as an expense as incurred. Patent and licence costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its finite useful life, which is 20 years.

Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation
Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:
- Patents 20 years

Impairment
Impairment losses and reversals are reported within profit or loss and are recognised as described in Note 5(h).

Research and development
Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

The Group incurs expenditure on research and development and is eligible to receive a refundable tax offset under the Research and Development Tax Incentive. In accordance with the policy for government grants Note 5 (u), the expected refundable R&D Tax Incentive Offset is recognised at the reporting date in relation to eligible R&D expenditure during that reporting period.

(u) Government grants
Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Company for the cost of an asset are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

(v) Rounding of amounts
The Parent Entity has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest $1,000, or in certain cases, the nearest dollar.

(w) Significant management judgement in applying accounting policies
The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment
The Group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers in accordance with the accounting policy stated in Note 5(h). Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

Rehabilitation Provision
The most significant accounting estimate for the Group relates to the rehabilitation provision, for further discussion refer to Note 22.

(x) R&D Tax Incentive
Management, together with external consultants have determined that the Group expects to receive an R&D tax incentive refund of $645,813 in respect of eligible expenditure incurred during the current reporting period.

(y) Comparatives
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

6. Revenue

	2017 $	**2016 $**
Research fees	-	50,000
	-	**50,000**

7. Other Income

	2017 $	**2016 $**
R&D tax incentive	695,672	546,846
Export Market Development Grant	110,955	88,624
Interest Income	4,315	9,961
Other	71,025	9,257
	881,967	**654,688**

8. Expenses

	Notes	2017 $	2016 $
Depreciation, amortisation and impairment expense			
Depreciation of property, plant and equipment		8,353	4,585
Impairment of investment in Zeachem		567,687	-
		576,040	**4,585**

Employee Benefits Expense			
Salaries, wages & bonus		834,765	803,610
Superannuation		61,355	53,389
Share based payments		229,593	99,319
Other employee benefits		224,687	39,627
		1,350,400	**995,945**

Rental expense relating to operating leases			
Minimum lease payments		25,260	55,708

Net foreign exchange differences		**(22,084)**	**(49,644)**

9. Income Tax

Reconciliation between the income tax benefit and the expected tax expense (income) based on the Group's applicable income tax rate is as follows:			
	Note	**2017 $**	**2016 $**
Loss before income tax		(7,219,515)	(2,606,254)
Income tax at 30% (2016: 30%)		(2,165,855)	(781,876)
Loss relating to foreign subsidiary		691,167	
Expenditure not allowable for income tax purposes		437,227	102,782
Temporary differences (deferred tax)		(181,215)	2,822
Unrecognised/ (recognised) tax losses		773,288	311,708
Expenditure incurred in relation to R&D tax incentive		445,388	361,405
Adjustment in respect of prior year's R&D tax incentive		(49,859)	3,159
Actual income tax benefit		0	-
Income tax refund comprises:			
Current tax expense (income)		0	-
Deferred tax expense (income)		0	-
Income tax benefit		**-**	**-**

Losses

At 30 June 2017, the Group has carry forward tax losses of approximately $21.8 million not brought to account (2016 $19.1 million). The deferred tax asset which may be derived from these tax losses, has not been carried forward as an asset in the balance sheet and will only be recognised if:

(i) the Group derives assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
(ii) the Group continues to comply with the conditions for deductibility imposed by law; and
(iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

Deferred income tax	**2017 $**	**2016 $**
Deferred tax assets		
-Provisions	64,839	67,511
-Borrowing costs	-	66
-Accrued expenses	-	69,839
-Share capital costs	126,816	70,600
-Patents	92,961	28,450
-Legal fees	6,869	7,145
-Property, plant and equipment	1,458	-
-Shares	726,750	-
-Tax losses	6,532,279	5,738,930
Deferred tax liabilities		
-Accrued income	(193,745)	(629)
Total deferred tax assets	**7,465,487**	**5,981,912**

The Group has not recognised the deferred income tax and 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. Auditor Remuneration

	2017 $	**2016 $**
Audit and review of financial statement Grant Thornton	55,133	41,259
Taxation compliance services Grant Thornton	8,275	6,729
Total auditor's remuneration	**63,408**	**47,988**

11. Remuneration of key management personnel
Key management personnel compensation:

	2017 $	**2016 $**
Short-term employee benefits	715,574	565,122
Post-employment benefits	61,528	62,638
Long-term benefits	-	-
Termination benefits	-	-
Share based payments*	657,630	208,096
	1,434,732	**835,856**

* Detailed remuneration disclosures are provided in the remuneration report.

12. Earning per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the parent company (Leaf Resources Limited) as the numerator.

Reconciliation of earnings used in calculating earnings per share	**2017 $**	**2016 $**
Loss attributable to the parent entity used in the calculation of basic and dilutive EPS	(7,219,515)	(2,606,254)
Loss attributable to the parent entity	(7,219,515)	(2,606,254)
Weighted average number of ordinary shares	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	146,365,071	126,095,469
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per shares	146,365,071	126,095,469

Calculation of dilutive EPS

As at 30 June 2017 there were:

- 20,420,690 unlisted options and 869,608 unlisted performance rights on issue which have vested; and
- 2,057,052 unlisted options and 3,504,908 performance rights on issue which have not yet vested.

On 1 July 2017, 646,255 of the unlisted performance rights vested and 2,858,653 of the unlisted performance rights lapsed due to performance conditions not being met.

The 21,290,298 unlisted options and unlisted performance rights that have vested were included in the calculation of diluted earnings per share due to the exercise price being less than the average market price of ordinary shares during the period.

As at 30 June 2016, there were 4,300,000 unlisted options on issue which had vested and were included in the calculation of diluted earnings per share due to the exercise price being less than the average market price of ordinary shares during the period.

Further, at 30 June 2017 the following may potentially be considered a contingently issuable share entitlement:

- 646,255 performance rights that vested on 1 July 2017

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.

13. Segment reporting

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.

Segment information

The gravel segment has, in prior years, 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. As the gravel mining business has effectively ceased, it will not be reported as an operating segment after 30 June 2017.

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 (refer to Note 19) 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 profit or loss and other comprehensive income. All the revenue disclosed consists only of external customer income as the Group does not undertake any internal inter segment transactions. The Group's revenues are divided into geographical areas, which have been identified on the basis of the customer's geographical location.

Segment information for the reporting period is as follows:

	Gravel 2017 $	R&D 2017 $	Total 2017 $	Gravel 2016 $	R&D 2016 $	Total 2016 $
Revenue (external)						
Australia – research fees	-	-	-	-	50,000	50,000
Australia – gravel sales	-	-	-	-	-	-
Segment & group revenue	-	-	-	-	-	-
Interest income	3	-	3	-	-	-
Other income	-	695,672	695,672	467	546,846	547,313
Cost of sales	(50,117)	-	(50,117)	(9,904)	-	(9,904)
Depreciation	-	(4,859)	(4,859)	-	-	-
Employee benefits expense	-	(482,648)	(482,648)	-	(424,276)	(424,276)
Office administration	(625)	(48,218)	(48,843)	(120)	(10,529)	(10,649)
Professional fees	(8,335)	-	(8,335)	(37,574)	-	(37,574)
Statutory fees	(565)	-	(565)	(246)	-	(246)
Travel and accommodation	-	(105,761)	(105,761)	-	(66,912)	(66,912)
Research and development	-	(1,185,843)	(1,185,843)	-	(702,965)	(702,965)
Patent and licence fees	-	(218,044)	(218,044)	-	(72,271)	(72,271)
Other	-	-	-	(25,000)	-	(25,000)
Segment operating profit or loss	**(59,639)**	**(1,349,701)**	**(1,409,340)**	**(72,377)**	**(680,467)**	**(752,844)**
Segment assets	**543,393**	**12,073**	**555,466**	**681,905**	**11,260**	**693,165**
Segment liabilities	**63,760**	**1,795,360**	**1,859,120**	**142,634**	**1,591,948**	**1,734,582**

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

	2017 $	2016 $
Total reportable segment operating profit or (loss)	(1,409,340)	(752,844)
Other income not allocated	236,151	107,842
Corporate overhead	(6,046,326)	(2,508,098)
Group operating loss before income tax	**(7,219,515)**	**3,153,100**

Total reportable segment assets	555,466	693,165
Consolidation	(522,103)	(655,100)
Corporate headquarters	1,393,840	2,310,559
Group assets	**1,427,203**	**2,348,624**

Total reportable segment liabilities	1,859,119	1,734,582
Consolidation	(1,795,360)	(1,588,373)
Corporate headquarters	477,120	429,006
Group liabilities	**540,880**	**575,215**

14. Cash and cash equivalents
Cash and cash equivalents include the following components:

	2017 $	2016 $
Cash at bank and in hand		
Cash held in $AUD	393,321	987,351
Cash held in $USD (converted to $AUD)	97,807	5,059
Cash held in EURO (converted to $AUD)	82,599	53,141
Cash and cash equivalents	**573,727**	**1,045,551**

15. Trade and other receivables

	2017 $	2016 $
Trade receivables	23,693	46,360
Impairment allowance	-	-

Net trade receivables	**23,693**	**46,360**
Other debtors	-	89,066
GST receivable	30,365	11,649
Prepayments	22,212	15,423
Deposit landlord	6,050	-
Accrued income	2,096	2,096
R&D tax incentive refundable	645,813	542,107
Total Trade and other receivables	**730,229**	**706,701**

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 30 June, the following amount was past due. No impairment has been made as it is reasonably expected that these amounts will be collected in full within 6 months of the reporting date.

Trade and or other receivables past due at 30 June 2017				
	Current	**>30 days**	**>60 days**	**>90 days**
Trade recievables	$4,833	$nil	$nil	$18,860

16. Investments accounted for using the equity method

	2017	2016
Investment in joint venture	86,243	-

Investment in joint venture
The Group has one material joint venture, Leaf Development, LLC

Name of the joint venture	**Country of incorporation and principal place of business**	**Principal activity**	**Proportion of ownership interests held by the group**	
			30 June 2017	**30 June 2016**
Leaf Development,LLC	USA	To develop up to 5 biorefinery plants	59.94%	Nil%

Summarised financial information for Leaf Development, LLC is set out below

	2017 $	2016 $
Current assets	49,621	-
Non-Current assets	94,261	-
Total Assets	**143,882**	**-**
Current Liabilities	-	-
Non-Current Liabilites	-	-
Total Liabilities	**-**	**-**
Revenue	-	-
Loss for the year	(2,290,476)	-
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(2,290,476)	-
Depreciation and amortisation	-	-
Interest Income	-	-
Interest Expenses	-	-
Tax expense	-	-

A reconciliation of the above summarised financial information to carrying amount of the investment is Leaf Development, LLC is set out below:

	2017 $	2016 $
Total net assets of Leaf Development,LLC	143,882	-
Proportion of ownerships interests held by the Group	59.94%	Nil%
Carrying amount of the investment in Leaf Development,LLC	86,243	-

No dividends were recieved from Leaf Development, LLC during the years 2017 and 2016.

Leaf Development is a Private Company, therefore no quoted market prices are available for its shares.

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

	2017 $	2016 $
Plant and equipment		
Cost	51,609	41,207
Accumulated depreciation	(14,605)	(12,522)
Total property, plant and equipment	**37,004**	**28,685**

Movements in carrying amounts for each class of property, plant and equipment are as follows:

	2017 $	2016 $
Plant and equipment		
Opening written down value	9,889	4,732
Additions	7,893	8,558
Disposals	(245)	-
Depreciation	(5,801)	(3,401)
Closing written down value, plant & equipment	11,736	9,889

Leasehold improvements		
Opening written down value	15,596	16,072
Additions	-	674
Disposals	(9,686)	-
Depreciation	(1,127)	(1,150)
Closing written down value, leasehold improvements	4,783	15,596

Laboratory equipment		
Opening written down value	3,200	-
Additions	18,710	3,234
Disposals	-	-
Depreciation	(1,425)	(34)
Closing written down value, laboratory equipment	20,485	3,200
Total property, plant and equipment	**37,004**	**28,685**

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

18. Other financial assets

	2017 $	2016 $
Available for sale financial asset	567,687	567,687
Less impairment	(567,687)	-
Total other financial assets	**-**	**567,687**

During the 2016 financial year the Company made a financial investment in ZeaChem Inc. The investment had initially been recorded at fair value, being the cost of the investment. In June 2017, the ZeaChem board have provided information indicating that it is unlikely that shareholders will achieve any return on their investment. Based on this, the directors have determined the fair value of the investment to be $nil and an impairment has been recognised during the current year to reduce the carrying amount of the investment to its recoverable amount.

19. Intangible assets

Leaf Resources has a focused intellectual property (IP) strategy in which it regularly reviews all of its research activities and is proactive in identifying new intellectual property and building strength around its ongoing core IP assets.

The Company's management have extensive IP experience and work closely with patent attorneys and lawyers in Australia and abroad to build and maintain the intellectual property portfolio.

During the reporting period, the Company filed one new patent application:

Australian provisional patent application number 2016901959 "Method for Extracting Silica" relates to methods for extracting silica from organic material and more particularly plant material, such as rice hulls, rice straw and sugarcane bagasse.

The patent application is held by Leaf Research Pty Ltd, a wholly owned subsidiary of Leaf Resources.
Another wholly owned subsidiary of Leaf Resources, Leaf Sciences Pty Ltd has previously filed the following patent applications:
- PCT/AU2015/050390 - "Methods for hydrolysing lignocellulosic material" relating to the conversion of plant biomass to cellulose and then to cellulosic sugars and;
- PCT/AU2015/050389 - "Methods for treating lignocellulosic material" relating to the conversion of plant biomass into cellulose for cellulose fibre and;
- Australian provisional patent no. 201500826 "Apparatus system and method for treating lignocellulosic material" relating to the HybritechTM platform that enables the production of either pulp or cellulosic sugars from the same equipment line.
Both PCT/AU2015/050390 & PCT/AU2015/050389 have entered national phase filing and prosecution in the following countries: Brazil, Canada, Mexico, PR China, Malaysia, Thailand, Japan, South Korea, India, Europe, USA, Australia and New Zealand.

The Group has expensed all internal research and development expenditure incurred during the year as the costs relate to the research of products and processes. The
intellectual property cannot be recognised as an asset under Accounting Standards at this time as the generation of future economic benefits are still to be quantified.

20. Trade and other payables
Trade and other payables consist of the following:

	2017 $	2016 $
Trade payables	165,650	69,094
Accruals	140,243	213,390
Other payables	43,621	30,605
Total trade and other payables	**349,514**	**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.

21. Employee Benefits
The liabilities recognised for employee benefits consist of the following amounts:

Current	2017 $	2016 $
Leave entitlements	141,366	100,036
Accrued directors' salaries	-	19,404
Total employee benefits	**141,366**	**119,440**
Non-Current		
Leave entitlements	24,762	17,686
Total non-current employee benefits	**24,762**	**17,686**
Total employee benefits	**166,128**	**137,126**

The current portion of these liabilities represents the Group's obligations to its current employees that are expected to be settled during the year ended 30 June 2017. Refer to the remuneration report for further information regarding the accrued components of employee benefits as they relate to directors and executives and refer to Note 27 for share based payment information.

22. Provisions
All provisions are considered current. The carrying amounts and movements in the mining rehabilitation provision during the financial year are set out below:

	2017 $	2016 $
Carrying amount opening	125,000	100,000
Additional provision	50,000	25,000
Amount utilised	(125,000)	-
Reversal	-	-
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. A provision for rehabilitation has been recognised for the present value of the estimated expenditure required to restore the ground site on cessation of mining. Restoration of the mining leases has commenced.

23. 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.

	2017 Number	2017 $	2016 Number	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	34,326,234	4,760,500	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	16,943	700,000	13,592
Total contributed equity	**184,357,233**	**46,360,004**	**142,749,760**	**40,826,866**

The Company issued shares at multiple times throughout the year to increase the working capital of the Group to further the development and commercialisation of the GlycellTM process.

The Company issued shares in August, November and December 2016 and February 2017 to sophisticated investors utilising the share placement facility under listing rule 7.1 and 7.1A.

In July 2016 the Company issued shares to their joint venture partner and a supplier as payment of professional fees.

In September and December 2016 employees exercised 1,300,000 unlisted options at an exercise price of $0.10 per option.

In November a non-executive director was issued shares as part payment of director fees for the period 1 January to 30 June 2016. This share issue was recognised as a share based payment and expensed in the 2016 financial year.

In December 2016, the Company issued shares to:
• a non-executive director as part payment of director fees for the period to 1 July to 31 October 2016[1]
• non-executive directors as part payment of advisory and consulting fees'

[1]The share issues to directors were in accordance with shareholder approval attained at the 2016 annual general meeting and the December 2016 extraordinary general meeting.

24. Reserves

	2017 $	2016 $
Employee equity-settled benefits reserve		
Balance at beginning of the financial year	270,617	78,022
Cost of share-based payment	682,247	206,187
Value of exercised & expired options under ESOP	(16,943)	(13,592)
Balance at the end of the financial year	935,921	270,617
Share based payments reserve		
Balance at beginning of the financial year	-	-
Cost of share-based payment	158,178	-
Balance at the end of the financial year	158,178	-
Foreign Currency Translation Reserve		
Balance at beginning of the financial year	-	-
Currency gains recognised on translation of foreign subsidiary's operations	(48,953)	-
Balance at the end of the financial year	(48,953)	-
Total reserves	**1,045,146**	**270,617**

The reserves record the value of equity benefits, i.e. share based payments, provided to employees and directors as part of their remuneration. Refer to Note 27 Share Based Payments for further details of these plans.

25. Accumulated Losses

	2017 $	2016 $
Opening balance at the beginning of the financial year	(39,324,074)	(36,717,820)
Loss for the year	(7,219,515)	(2,606,254)
Closing balance at the end of the financial year	(46,543,589)	(39,324,074)

26. Notes to the statement of cash flows

a) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks, net of outstanding bank overdrafts.

Cash and cash equivalents at the end of the year as shown in the statement of cash flow is reconciled to the related item in the statement of financial position as follows:

	2017 $	2016 $
Cash and cash equivalents	573,727	1,045,551

b) Reconciliation of net loss for the period to cash flows provided by operating activities

	2017 $	2016 $
Net loss for the period	(7,219,515)	(2,606,254)
Adjustments for:		
Depreciation	8,353	4,585
Share based payments	920,950	339,931
Profit on sale of equipment included in investing activities	9,929	-
Share of loss of equity accounted investment	2,300,977	-
Impairment of Zeachem investment	567,687	-
Licence fee	(47,535)	-
Net changes in working capital:		
Change in trade and other receivables	(23,528)	(234,910)
Change in trade and other payables	36,425	193,741
Change in employee benefits	48,406	(35,138)
Change in provisions	(75,000)	25,000
Net cash used in operating activities	**(3,472,851)**	**(2,313,045)**

c) Non-cash investing and financing activities

Settlement of some directors' fees, employee bonus and supplier payments by shares and employee options issued are non-cash transactions excluded from the statement of cash flows. Refer to Note 27 below.

27. Share based payments

During the year the Group undertook share based payment arrangements for directors, employees and suppliers. All arrangements settled in equity are set out below.

Share based payment expense

Total expenses arising from share based payment transactions recognised during the period as part of total comprehensive income for the year were as follows:

	2017 $	2016 $
Shares issued to employees	-	25,000
Shares issued to directors	58,936	68,744
Employee share option plan – employees	33,687	40,424
Employee share option plan – directors and officers	409,317	5,846
Employee performance rights plan	239,244	159,917
Subtotal	**741,184**	**299,931**
Shares issued to suppliers	103,712	40,000
Options issued to joint venture partner	76,054	-
	920,950	**339,931**

All transactions have been included in equity reserves during the period.
Shareholders approved the issue of 83,458 shares to a director at the annual general meeting held on 25 October 2017. The shares were issue in lieu of director fees at an issue price of $0.155.
Shareholders approved the issue of 317,242 shares to directors at the extraordinary general meeting held on 15 December 2017. The issue price of these shares was $0.145.
The company engaged the services of a consultant with fees of $21,588 being settled via a share based payment.

During the year 1,557,032 options were issued to Claeris ManagementCo, LLC. The value of the equity-settled share options is estimated at the grant date using an appropriate option pricing model taking into account the terms and conditions upon which the options were granted. The fair value is recognised over the vesting period. The expense recognised in the current year in respect of these options is $76,054.

Employee share option plan (ESOP)

At 30 June 2017 the Group maintained an ESOP which was approved by shareholders at the 2011 annual general meeting. The Board may offer options at no cost to directors and officers and full time and part time employees of the Group under the plan.

Options may not be issued under the option plan if the aggregate of the number of shares issued during the preceding five years under any company employee incentive scheme (including the company's existing option plan), disregarding excluded shares, and the number of shares which would be issued if each outstanding option issued under an employee incentive plan were exercised, would exceed 5% of the total number of shares on issue at the time of the proposed offer.

Options may be offered under the option plan on terms, including exercise price, exercise period and any exercise conditions determined by the Board and approved by shareholders. The Options will usually have a three-year exercise period, unless otherwise determined by the Board. Options may be issued with or without performance conditions. Options issued under the option plan are not quoted on ASX. Shares issued on the exercise of options are quoted on the ASX and carry full voting rights.

The fair value of the equity-settled share options is estimated at the grant date using an appropriate option pricing model taking into account the terms and conditions upon which the options were granted. The fair value is recognised as an expense over the vesting period. The expense recognised in the current year is in respect of unlisted 28 October 2018 options is $33,687.

Director Options

The Company is in an important stage of development with significant opportunities and challenges in both the near and long-term. The Board proposed that options be issued to non-executive directors to align the efforts of the Board in seeking to achieve growth of the share price and the creation of value for members. Incentivisation with options is customary in the technology sector and is a prudent means of conserving the Company's cash.

At the extraordinary general meeting held on 15 December 2016, shareholders approved the following issues of options to non-executive directors:

- 3,000,000 options which upon payment of the exercise price of $0.145 per option, will convert to one ordinary share for each option exercised. The options expire on 23 December 2021.
- 2,000,000 options which upon payment of the exercise price of $0.22 per option, will convert to one ordinary share for each option exercised. The options expire on 23 December 2021.

Valuation of options and performance rights granted and / or issued during the reporting period

Type	Options	Options	Options	Options	Options
Recipient	Joint Venture Partner	Non-Executive Director	Non-Executive Director	Supplier	Non-Executive Director
Valuation Date	15-07-2016	23-12-2016	23-12-2016	02-02-17	16-06-2017
Valuation Method	Hoadley	Hoadley	Hoadley	Hoadley	Hoadley
Value	$129,786	$235,526	$127,248	$82,124	$46,543
Number	1,557,052	3,000,000	2,000,000	2,500,000	800,000
Share Price at Valuation	$0.125	$0.145	$0.145	$0.145	$0.10
Exercise Price	$0.1375	$0.145	$0.22	$0.20	$0.22
Volatiity	86.5%	61.4%	61.4%	77.8%	91.2%
Risk Free Rate	1.93%	2.79%	2.79%	2.75%	2.41%
Share Price Target	N/A	N/A	N/A	N/A	N/A
Exercise Multiple	N/A	N/A	N/A	N/A	N/A
Assumed Employee Exit Rate	N/A	N/A	N/A	N/A	N/A
Trinomial Steps	N/A	N/A	N/A	N/A	N/A
Term in Years	5	5	5	1.1	5
Earliest Vesting Date	15-07-17	23-12-16	23-12-16	15-03-18	03-07-17
Number of Vesting Tranches	3	1	1	1	1
Value per Share or Right	$0.083	$0.079	$0.064	$0.033	$0.058

At the extraordinary general meeting held on 15 June 2017, shareholders approved the following issue of options to a non-executive director:
• 800,000 options which upon payment of the exercise price of $0.22 per option, will convert to one ordinary share for each option exercised. The options expire on 3 July 2022.

The director options vested on their issue date. The options must be exercised in minimum parcels of 1,000 shares. The options do not entitle the holder to participate in new issues of securities unless the option has been exercised and a share has been issued in respect of the option.

The Leaf Resources Limited Performance Rights Plan (The Plan)

At the Company's annual general meeting held on 25 November 2015, shareholders gave approval for an employee incentive scheme, the Leaf Resources Limited Performance Rights Plan to be adopted.

Under the Plan, the Board may, from time to time, invite eligible staff members, including directors, to participate in the LTI Plan in accordance with its Rules and Applicable Law and subject to a limit of 5% of the issued capital of the Company. The eligible staff member may apply for performance rights, up to the number set out in the invitation and in accordance with the terms set out in the invitation.

Performance rights can be exercised at any time from the vesting date until such time that the performance right lapses.

A performance right will lapse, if not exercised, at the earliest of:
a) the expiry date
b) if the performance conditions are not achieved within the specified measurement period
c) the date a resolution to wind up the Company is passed
d) in relation to a performance right that has not vested
  i. The date the staff member ceases to be employed by the company (for a reason other than a qualifying reason)
  ii. 5 days after the last measurement period applying to the performance right
  iii. The date on which the Board may determine that the staff member has acted fraudulently or dishonestly, or has breached his or her obligations to the Company
e) in relation to a performance right that has vested
  i. 30 days after the date the staff member ceases to be employed by the company (if for a qualifying reason)
  ii. 5 days after the date the staff member ceases to be employed by the company (if for a reason other than a qualifying reason)

Shares acquired through exercising performance rights:
a) may at the Board's discretion have a restriction placed on the transfer of the shares for a period of up to seven years from the Grant Date.
b) will rank equally with shares of the same class

In December 2016, the following performance rights were granted:

Rights granted in lieu of a bonus	
CEO	Nil
Other employees	646,255
	646,255
Rights granted as a long-term incentive to staff	
CEO	909,090
Other employees	1,949,563
	2,858,653
Total number of performance rights granted	**3,504,908**

Type	**Rights**	**Rights**	**Rights**
Recipient	Employee	Managing Director	Employees
Valuation Date	01-12-16	01-12-16	01-12-16
Vaulation Method	Hoadley	Monte Carlo	Monte Carlo
Value	$103,400	$66,769	$143,188
Number	646,255	909,090	1,949,563
Share Price at Valuation	$0.160	$0.160	$0.160
Exercise Price	$nil	$nil	$nil
Volatility	61.4%	61.4%	61.4%
Risk Free Rate	2.51%	2.51%	2.51%
Share Price Target - 100%	N/A	$0.22	$0.22
Share Price Target - 50%	N/A	$0.165	$0.165
Exercise Multiple	N/A	3	3
Assumed employee Exit Rate	N/A	5%	5%
Trinomial Steps	N/A	100	100
Terms in Years	5	5	5
Earliest Vesting Date	01-07-17	01-07-17	01-07-17
Number of Vestinf Tranches	1	3	3
Value per Share or Rights	$0.160	$0.073	$0.073

During the reporting period $214,027 was expensed in relation to performance rights granted during the year ended 30 June 2017 and $25,217 expensed in relation to performance rights issued in a prior period.

A further $99,330 will be expensed in future reporting periods in relation to performance rights issued during the current reporting period.

Rights granted in lieu of bonus

- the performance condition in relation to the rights granted in lieu of a bonus was continued employment with Leaf Resources up to and including 1 July 2017;
- the performance condition was met in respect of all rights and subsequently 646,255 performance rights vested on 1 July 2017.

Rights granted as a long-term incentive to staff

- the performance condition in relation to the rights granted as a long-term incentive to staff was achieving the Company's objective of an increase in the share price from June 2016 VWAP of $0.11 to June 2017 VWAP of two times the June 2016 VWAP i.e. $0.22. Pro-rata entitlement would apply if the June 2017 VWAP was at least 1.5 times the June 2016 VWAP i.e. at or above $0.165;

- if the performance condition was achieved, the rights would vest in three equal annual instalments on 1 July 2017, 2018 and 2019;
- the performance condition was not met and consequentially 2,858,653 performance rights lapsed on 1 July 2017
- the value of the share based payment recognised in the current year in respect of the 2,858,653 performance rights granted as a long-term incentive to staff is $111,113;
- the performance rights were fair valued at $209,957 on grant date using the Monte Carlo simulation method and will be expensed:
  - $111,113 in 2017 financial year
  - $71,580 in 2018 financial year
  - $27,190 in 2019 financial year
  - $74 in 2020 financial year

Outstanding performance rights

The outstanding balance of performance rights as at 30 June 2017 is represented below.

Grant Date	Expiry Date	Exercise Price	Share options 2017	Share options 2016
1 December 2016	1 December 2021	$Nil	3,504,908	-
11 January 2016	11 January 2021	$Nil	869,608	2,970,252
Total			**4,374,516**	**2,970,252**

Option summary and weighted average exercise prices

Share options and weighted average exercise prices "WAEP" are as follows for the reporting periods presented:

	Number of options 2017	WAEP $ 2017	Number of options 2016	WAEP $ 2016
Outstanding at the beginning of the year	5,300,000	0.100	5,000,000	0.10
Granted during the year	18,477,742	0.189	1,000,000	0.10
Expired during the year	-	n/a	-	n/a
Exercised during the year	(1,300,000)	0.100	(700,000)	0.10
Outstanding at the end of the year	**22,477,742**	**0.173**	**5,300,000**	**0.10**

There were 2,057,052 options that were issued but not vested at 30 June 2017 (1,000,000 unvested at 30 June 2016).

Outstanding options

The outstanding balance of options as at 30 June 2017 is represented below.

Grant Date	Expiry Date	Exercise Price	Share options 2017	Share options 2016
20 December 2012	20 December 2016	$0.10	-	300,000
28 October 2013	20 December 2016	$0.10	-	1,000,000
17 December 2013	17 December 2017	$0.10	2,625,000	2,625,000
3 September 2014	3 September 2018	$0.10	375,000	375,000
28 October 2015	28 October 2018	$0.10	1,000,000	1,000,000
1 August 2016	1 August 2021	$0.1375	1,557,052	-
23 December 2016	23 December 2021	$0.145	3,000,000	-
23 December 2016	23 December 2021	$0.22	2,000,000	-
2 February 2017	15 March 2018	$0.20	11,120,690	-
16 June 2017	3 July 2022	$0.22	800,000	-
Total			**22,477,742**	**5,300,000**

The weighted average remaining life of the options outstanding at year end.	1.94 years	1.32 years

28. Events subsequent to reporting date
Since the end of the reporting period, the Company has:

- conducted a 1 for 10 non-renounceable rights issue at an issue price of $0.09 per share that raised $1,582,985 in entitlement acceptances and shortfall applications;
- additional demand resulted in a further placement of shares at an issue price of $0.09 raising $82,914.21.
- Leaf Malaysia OpCo Sdn. Bhd., a wholly owned subsidiary of Leaf Development, LLC was incorporated in Malaysia.

29. Related party transactions
Parent Entity
The Parent entity within the group is Leaf Resources Limited. The company is listed on the Australian Securities Exchange with no shareholders exerting significant influence, other than those that are also key management personnel.

Subsidiaries
Interests in subsidiaries are set out in subsidiaries Note 33.

Key Management Personnel
Disclosures relating to key management personnel are set out in Note 11 and also further details are included in the Remuneration Report contained in the Directors' Report.

Transactions with other related parties
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

30. Contingent liabilities
The Group is not aware of any material contingent liabilities as at 30 June 2017.

31. Financial Instruments
Capital management
When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The group's capital comprises ordinary share capital supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial assets and adjusting its capital structure in response to changes in these risks and in the market. These responses, where applicable, include raising more equity from shareholders.

Derivative financial instruments
The Group does not currently employ any derivative financial instruments.

Financial risk management policies
The group's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and accounts payable. The main purpose of non-derivative financial instruments is to finance group operations.

i Treasury risk management
The Board of directors meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ii Financial risk exposures and management

The main risks the group is exposed to through its financial instruments are liquidity risk and credit risk.

Liquidity risk
The Group manages liquidity risk by monitoring forecast cash flows. Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its creditors or otherwise meetings its obligations related to financial liabilities.

Credit risk
The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There are no material amounts of collateral held as security at reporting date. Credit risk is managed and reviewed regularly by the Board of Directors. It arises from exposures to customers and deposits with financial institutions. The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties. All potential customers are assessed for credit worthiness taking into account their size, market position and financial standing

Interest rate risk
Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a change in interest rate will affect future cash flows. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash investments. Surplus funds are invested in interest bearing deposits and are managed by the directors and monitored on a regular basis.

	Weighted average effective interest rate		**Floating interest rate**	
	2017 %	**2016 %**	**2017 $**	**2016 $**
Financial assets:				
Cash and cash equivalents	0.40	0.86	573,727	573,727
Receivables	-	-	730,229	706,701
Total financial assets			**1,303,956**	**1752,252**
Financial liabilities:				
Trade payables and accruals	-	-	349,514	313,089
Total financial liabilities			**349,514**	**313,089**

Interest rate sensitivity
At 30 June 2017, the Group is exposed to changes in market interest rates through bank deposits at variable interest rates. The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2016: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the market interest rate at reporting date, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year		**Equity**	
	$	**$**	**$**	**$**
	+1%	-1%	+1%	-1%
30 June 2017	3,922	2,323	3,922	2,323
30 June 2016	9,287	8,978	9,287	8,978

Foreign currency risk
Most of the Group's transactions are carried out in AUD. Exposures to currency exchange rates arise from the Group's overseas research and development activities, which are denominated in US dollars (USD) OR Euros.

The Group does not enter into forward exchange contracts to mitigate the exposure to foreign currency risk. The Group's risk management procedures for short-term foreign currency cash flows to fund the payment of suppliers in the United States and Europe consists of holding a proportion of the estimated foreign currency cash flow in a USD bank account and a Euro bank account. The USD and Euro values of the accounts are translated into AUD at the prevailing spot exchange rate and at 30 June 2017 had a combined value of AUD$180,406.

Financial instruments maturity analysis
As the Group has no significant interest-bearing assets other than cash at bank, the Group's income and operating cash flows are not materially exposed to changes in market interest rates. Cash flows from financial assets are expected to be realised as disclosed below, financial liabilities due for payment are also expected to be settled within 1 year. Financial assets and financial liabilities are neither past due nor impaired with the exception of amounts disclosed in Note 15.

		Within 1 year	
	Note	2017 $	2016 $
Financial assets:			
Cash and cash equivalents	14, 26a	573,727	1,045,551
Receivables	15	730,229	706,701
Total financial assets		**1,303,956**	**1,752,252**
Financial liabilities:			
Trade payables and accruals	20	349,514	313,089
Total financial liabilities		**349,514**	**313,089**

Trade payables and provisions are expected to be paid as followed:

	2017 $	2016 $
Less than 6 months	349,514	313,089
6 months to 1 year	-	-
	349,514	**313,089**

iii. Net fair values

The net fair values of:

- Term receivables, government and fixed interest securities and bonds are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Other assets and other liabilities approximate their carrying value.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities are materially in line with carrying values as disclosed in the statement of financial position.

32. Leasing commitments and contingent liabilities

The commitments for minimum lease payments in relation to operating leases contracted by not capitalised in the financial statements are as follows:

	2017 $	2016 $
Operating lease commitments		
Within one year	58,891	1,067
Later than one year but not later than five years	-	-
Later than five years	-	-

33. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy on consolidation. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the parent of the Group, and the proportion of ownership interests held equal the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name Unlisted:	Principal activities	Country of incorporation	Class of shares	Ownership interes	
				2017 %	2016 %
AQL Mining Pty Ltd	Mining of gravel & general fill	Australia	Ord	100	100
Farmacule BioIndustries Pty Ltd	Research & development	Australia	Ord	100	100
Leaf Sciences Pty Ltd	Intellectual property owner	Australia	Ord	100	100
Leaf Research Pty Ltd	Research & development	Australia	Ord	100	100
Leaf Performance Plan Pty Ltd	Trustee of employee share trust	Australia	Ord	100	n/a
Leaf Resources USA, LLC	Investor in Leaf Development, LLC	USA	Ord	100	n/a

34. Parent entity financial information
The individual financial statements for the parent entity show the following aggregate amounts:

	Note	2017 $	2016 $
Financial Position			
Assets			
Current assets		1,368,529	1,714,187
Non-current assets	34(i)	1,968,903	2,184,865
Total assets		**3,337,433**	**3,899,052**
Liabilities			
Current liabilities		995,936	1,066,421
Non-current liabilities		24,762	17,686
Total liabilities		**1,020,698**	**1,084,107**
Equity			
Issued capital		46,360,004	40,826,866
Reserves		1,011,977	270,617
Retained losses		(45,055,247)	(38,282,538)
Total equity		**2,316,734**	**2,814,945**
Financial Performance			
Loss before income tax		(6,772,709)	(2,468,709)
Income tax expense		-	-
Total comprehensive loss for the year		**(6,772,709)**	**(2,468,709)**

34(i) Non-current assets		
Loans to subsidiaries	1,793,660	1,588,373
Investment in subsidiaries	138,238	120
Investment in Zeachem	-	567,687
Property, plant and equipment	37,005	28,685
	1,968,903	**2,184,865**

Impairment testing

At each reporting date the parent assesses whether there is any indication that an investment in a subsidiary may be impaired. If any such indication exists, the Group estimates the recoverable amount of the investment. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The recoverable amount of the investment in Farmacule was determined to be NIL on a conservative value-in-use calculation as the Group's technologies proceed towards development and commercialisation at 30 June 2017.

At 30 June 2017 the Company determined the fair value of the investment in ZeaChem to be $Nil and recognised an impairment in the value of the investment.

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 30 June 2017 and of its performance for the financial 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 financial year ended 30 June 2017.

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
31 August 2017

Grant Thornton

Level 18
King George Central
145 Ann Street
Brisbane QLD 4000
Correspondence to:
GPO Box 1008
Brisbane QLD 4001

T + 61 7 3222 0200
F + 61 7 3222 0444
E info.qld@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report to the Members of Leaf Resources Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Leaf Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

a Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

The Group incurred a net loss of $7,219,515 during the year ended 30 June 2017 and had operating cash outflows of $3,472,851 for the year then ended. These events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern and therefore, the Group 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. Our opinion is not modified in respect of this matter.

GrantThornton

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Equity accounted joint arrangement **Note 1(c) and Note 16.**	
The Group, through its subsidiary Leaf Resources USA LLC acquired an interest in Leaf Development LLC. Leaf Development LLC has been determined as a joint arrangement in accordance with AASB 11, Joint Arrangements and has been equity accounted. The joint arrangement is a significant focus for the Group and is integral in the commercialisation of their technology. This area is a key audit matter due to the complexity of the joint arrangement and the significance of the transaction	Our procedures included, amongst others: • Reading the Company Agreement and Subscription Agreement to understand the key terms and conditions • Reviewing management's position paper on the assessment of 'control' vs 'joint control' for compliance with AASB 11 • Performing targeted procedures to assess the existence and recoverability of significant assets and completeness and accuracy of liabilities as at year end; • Recalculating management's calculations for the Group's share of the loss for the period and share of net assets as at 30 June 2017; and • Assessing the adequacy of the Group's disclosures in respect of the joint arrangement

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the Financial Report

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Grant Thornton

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 16 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Leaf Resources Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M S Bell

M S Bell
Partner - Audit & Assurance

Brisbane, 31 August 2017

Shareholder Information

The ASX additional shareholder information set out below was applicable as at 30 June 2017.
1. Distribution of equity security holders:

Distribution is:		Shareholders	Optionholders
1	1000	402	-
1001	5000	232	-
5001	10,000	116	-
10,000	100,000	359	-
100,001	Over	228	11
		1337	**11**

2. Quoted equity security holders:
The name of the twenty largest holders of quoted equity securities are listed below:

	Name	Ordinary Shares Number	Ordinary Shares % Issued
1	MR RUSSELL CHARLES WILSON	9,713,816	5.27
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,386,019	5.09
3	YUNDIE HOLDINGS PTY LTD	6,500,000	3.53
4	BRINCLIFF PTY LTD	6,017,241	3.26
5	CLAERIS HOLDCO LLC	5,228,759	2.84
6	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	5,205,136	2.82
7	MR XUANJUN LIU	5,124,738	2.78
8	KELLEN PTY LTD	4,693,956	2.55
9	GENETIC HORIZONS PTY LTD	4,079,930	2.21
10	MR ALLAN JOHN OMACINI & MRS BETTY YVONNE OMACINI	3,334,032	1.81
11	NETWEALTH INVESTMENTS LIMITED	3,331,770	1.81
12	KELIRI PTY LTD	3,115,385	1.69
13	MR ALEXANDER BRUCE BAKER & MS PAULA PHAN	2,879,062	1.56
14	BOND STREET CUSTODIANS LIMITED	2,734,099	1.48
15	MR RUSSELL CHARLES WILSON	2,563,435	1.39
16	MR GEOFFREY MACQUARIE STOOKE	2,500,000	1.36
17	MR ALLAN JOHN OMACINI	2,335,380	1.27
18	MR ALLAN JOHN OMACINI & MRS BETTY YVONNE OMACINI	2,279,335	1.24
19	GROWTH CAPITAL (WA) PTY LTD	2,250,000	1.22
20	MORPARQ PTY LTD	2,100,000	1.14

3. Unquoted equity securities - Options

Date	Number on Issue	Number of holders
Unlisted 3 July 2022	800,000	1
Unlisted 1 August 2021	1,557,052	1
Unlisted 23 December 2021	5,000,000	4
Unlisted 15 March 2018	11,120,690	2
Unlisted 28 October 2018	1,000,000	1
Unlisted 3 September 2018	375,000	1
Unlisted 17 September 2017	2,625,000	3

4. Substantial holders

The number of shares held by substaintial shareholders with a holding greater than 5% is set out below:

Shareholder	Number of Ordinary Shares Held	Percentage
Ken Richards	13,024,726	7.07%
Russell Charles Wilson	12,277,251	6.66%
Allan Omacini	9,444,595	5.13%
HSBC	9,386,019	5.09%

5. Voting Rights

There are no restrictions on voting rights attached to the ordinary shares on issue. On a show of hands, every member present in person shall have one vote and upon a poll, every member present in person or by proxy shall have one vote for every share held.

The options have no voting rights.

Corporate Directory

Board of Directors:	Dr Jay Hetzel Ken Richards Matthew Morgan Doug Rathbone Bill Baum
Company Secretary:	Ian Hobson
Managing Director:	Ken Richards
Registered Office & Principle Place of Business:	Suite 13 / 8 Clunies Ross Court Eight Mile Plains, Queensland, Australia 4113 Telephone: +61 (7) 3188 9040 Facsimile: +61 (7) 3147 8001
Auditors:	Grant Thornton King George Central Level 18 145 Ann Street Brisbane, Queensland, Australia
Stock Exchange:	Leaf Resources Limited shares are listed on the Australian Securities Exchange (ASX)
Bankers:	National Australia Bank Brisbane City Business Bankers Level 22, 100 Creek Street Brisbane, Queensland, Australia 4000
Share Registry:	Link Market Services Limited Level 15, 324 Queen St, Brisbane, QLD, Australia, 4000 Locked Bag A14 South Sydney, NSW, Australia 1235
Solicitors:	Corrs Chambers Westgrath Waterfront Place 1 Eagle Street, Brisbane, Queensland, Australia 4000
ASX Code:	LER
Website:	www.leafresources.com.au