

Leaf Resources Limited

ABN 18 074 969 056

Appendix 4D

for the half year ended 31 December 2017
(previous corresponding period : half year ended 31 December 2016)

The information contained in this document should be read in conjunction with the financial statements for the year ended 30 June 2017 and any public announcements made by Leaf Resources Limited and its controlled entities ('the Group') during the interim reporting period in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

Results for announcement to the market

Revenues from ordinary activities				Nil
Loss from ordinary activities after tax attributable to members	Down	43%	to	2,205,726
Net loss for the period attributable to members	Down	43%	to	2,205,726

Dividends

The Directors do not propose to recommend the payment of a dividend in respect of the period.

Net tangible asset backing

As at 31
December 2017 As at 30 June 2017

Net tangible asset backing per ordinary security (cents per share)	1.47	0.47
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Explanation of operating performance

The loss from ordinary activities represents expenditure on research and development, share of loss of Leaf Developments LLC, and normal administrative overheads

LEAF RESOURCES

Appendix 4D

Interim Financial Report

For the half-year ended 31 December 2017

ABN 18 074 969 056



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Directors' Report

The Directors of Leaf Resources Limited ('Leaf Resources' or 'Leaf') present their report together with the financial statements of Leaf Resources Limited ('the Company') and its controlled entities ('the Group') for the period ended 31 December 2017.

Directors' details

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

Dr Jay Hetzel	Chair of the board – Appointed 12 September 2012 Member of the audit committee – Appointed 11 August 2011 Non-executive director – Appointed 1 August 2011
Ken Richards	Managing director – Appointed 1 August 2011 Non-executive director – Appointed 31 August 2007
Matthew Morgan	Non-executive director – Appointed 21 July 2014 Chair of the audit committee – Appointed 11 August 2014
Doug Rathbone	Non-executive director – Appointed 1 November 2016 Member of the audit committee – Appointed 1 November 2016
William Baum	Non-executive director – Appointed 16 June 2017 Member of the audit committee – Appointed 16 June 2017
Alex Baker	Non-executive director – Appointed 1 February 2018

Review of Operations and Financial Results

The operating loss of the Group decreased to \$2,205,726 for the period (31 December 2016 – \$3,843,767) due to reduced overhead costs, a reduction in research as the focus changes to commercialisation activities, and a reduction in the Group's share of loss of its associate, Leaf Development, LLC.

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

Business Development Update

The period has been highlighted by a series of agreements with world-class partners which has placed Leaf Resources firmly in position to deliver on its objective of its first commercial scale project development in 2018.

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

Leaf's world-class partners added in the past six months include Verdezyne, a synthetic biology company and HB International, a brokerage and agency company specialised in oleochemicals.

The partnerships build a very strong base for the ongoing plans for development of our first biorefinery project in Malaysia. A summary of these relationships and other highlights for the period are outlined below:

Highlights

Biodegradable Packaging

Leaf Resources has secured an exclusive license for an innovative biodegradable coating product for the packaging market. The technology was licensed from QUT bluebox, the commercial arm of the Queensland University of Technology and was developed by a QUT research team that included Dr. Les Edye, now Leaf Resources' Head of Research and Development.

Verdezyne

In November 2017, Leaf announced a collaboration agreement with Verdezyne, a synthetic biology company offering biobased chemicals manufactured via fermentation of its proprietary yeast cells.

Under the agreement, the companies will evaluate the use of Leaf's Glycell sugars prepared from empty fruit bunch as a raw material for large scale production of biobased chemicals in Verdezyne's proprietary yeast fermentation processes.

HB International

Leaf Resources has signed an exclusive agency agreement with HB International for both the purchase of raw glycerol and the sale of refined glycerol. Given that glycerol is a key input into Leaf's Glycell™ process and a significant revenue stream it is highly advantageous for Leaf to have secured an agreement with one of the world's leading glycerol brokers with an extremely strong presence in Asia.

HB International is a Brokerage and Agency Company specialising in oleochemicals, founded in 1986 with headquarters in Paris, France and with offices in China, USA, India, Argentina, Malaysia and Singapore. Over the past couple of years, HBI has distributed about 400,000 tonnes of glycerol (also called glycerin) per annum.

This agreement is another key step forward in the company's progress towards our first operational plant.

Malaysia

In December Leaf Malaysia, a subsidiary of Leaf Resources and Claeris' joint venture development company Leaf Development, and Biovision & Greenergy Sdn Bhd (B&G) signed a letter of Intent (LOI) for the stated purpose of evaluating opportunities to collaborate on the integration of existing operations in Segamat, Johor, including the provision of empty fruit bunch (EFB) biomass. The LOI has been signed on the basis of all parties' intention to pursue binding commercial agreements in relation to the supply of 100,000 BTD PA of EFB from B&G's handling facility and treatment process to Leaf Malaysia's biorefinery project.

Leaf Malaysia also agreed the material terms for a two-year option on land at Segamat, Johor. The land is immediately adjacent to B&G's facilities and Leaf Malaysia intends to develop a 100,000 BTD PA (bone dry tonnes) EFB biomass biorefinery.

The Leaf team continues to enjoy strong support from key government agencies in Malaysia including: AIM (Agensi Inovasi Malaysia), MIDA (Malaysian Investment Development Authority), MPIC (Ministry of Plantation Industry and Commodities) and the Malaysian Bio-economy Development Corporation.

Top 10 position in Hot 40

Leaf Resources held its place in the top 10 of the Hottest Emerging Companies in the Advanced Bioeconomy having been voted number 9 in the 2017-2018 top 40 at ABLC Next in San Francisco. ABLC Next is run by Biofuels Digest, the most globally recognised source of news in the Bioeconomy

This was the third consecutive year that the Company was included in the list.

Fund raising

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

This has resulted in the Company raising \$4.61m through two share placements and a rights issue with funds being used to facilitate the development of projects in the USA and Malaysia, including engineering and certification expenses and for working capital.

Outlook for 2018

The outlook for Leaf in 2018 is extremely positive and the Company expects to announce further developments on the path to commercialisation in the first half of 2018.

Leaf Development, LLC continues to work with Malaysian Government agencies as they progress negotiations on the potential renewable chemical development in that country. This work will continue over the coming months.

We also expect progress on the development of the LEAFcoat product for recyclable, renewable and biodegradable packaging.

Conclusion

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

Rounding of amounts

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

Auditor's independence declaration

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

Directors' authorisation

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



Dr Jay Hetzel
Chairman
Brisbane, Queensland, Australia
28 February 2018



Ken Richards
Managing director
Brisbane, Queensland, Australia
28 February 2018

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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 review of Leaf Resources Limited for the half-year ended 31 December 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M S Bell
Partner – Audit & Assurance

Brisbane, 28 February 2018

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 31 December 2017

	Notes	31 Dec 2017 \$	31 Dec 2016 \$
Revenue		-	-
Other income		312,927	389,446
Mining lease expenses		(2,527)	(51,790)
Depreciation, amortisation and impairment		(4,590)	(3,539)
Employee benefits expense		(541,565)	(609,774)
Directors' & officers' fees & CEO		(344,300)	(721,800)
Office administration		(82,304)	(73,524)
Professional fees		(49,124)	(141,520)
Corporate and investor costs		(185,541)	(198,700)
Travel and accommodation		(150,933)	(167,748)
Research and development		(454,138)	(661,349)
Patent and licence fees		(8,794)	(6,245)
Share of loss of associate	6	(649,553)	(1,514,691)
Other expenses		(45,284)	(82,533)
Loss before income tax		(2,205,726)	(3,843,767)
Income tax benefit		-	-
Loss for the period from continuing operations		(2,205,726)	(3,843,767)
Loss from discontinued operations		-	-
Loss for the period		(2,205,726)	(3,843,767)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		50,346	(50,729)
Income tax on items that may be reclassified to profit or loss		-	-
Other comprehensive income for the period, net of tax		50,346	(50,729)
Total comprehensive loss for the period		(2,155,380)	(3,894,496)
Earnings Per Share from Continuing Operations			
Basic loss per share (cents)	9	(1.15)	(2.60)
Diluted loss per share (cents)	9	(1.15)	(2.60)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	31 Dec 2017 \$	30 June 2017 \$
Current Assets			
Cash and cash equivalents	11	3,555,760	573,727
Trade and other receivables	12	383,077	730,229
Total Current Assets		3,938,837	1,303,956
Non-Current Assets			
Property, plant and equipment	8	35,387	37,004
Investments in associates	6	112,995	86,243
Total Non-Current Assets		148,382	123,247
Total Assets		4,087,219	1,427,203
Current Liabilities			
Trade and other payables	13	398,286	349,514
Employee benefits	14	105,349	141,366
Provisions	15	50,000	50,000
Total Current Liabilities		553,635	540,880
Non-Current Liabilities			
Employee benefits	14	23,035	24,762
Total Non-Current Liabilities		23,035	24,762
Total Liabilities		576,670	565,642
Net Assets		3,510,549	861,561
Equity			
Equity attributable to owners of the parent:			
Issued capital	16	51,218,576	46,360,004
Reserves	17	1,033,348	1,045,146
Accumulated losses		(48,741,375)	(46,543,589)
Total Equity		3,510,549	861,561

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2017

	Attributable to equity holders of the parent			
	Issued Capital \$	Accumulated Losses \$	Other Reserves \$	Total Equity \$
Balance at 1 July 2017	46,360,004	(46,543,589)	1,045,146	861,561
Loss for the period	-	(2,205,726)	-	(2,205,726)
Other comprehensive income	-	-	(50,346)	(50,346)
Total comprehensive loss for the period	-	(2,205,726)	(50,346)	(2,256,072)
Transactions with owners in their capacity of owners:				
Issue of share capital	4,878,365	-	-	4,878,365
Share issue transaction costs	(53,811)	-	-	(53,811)
Cost of share based payments	-	-	80,506	80,506
Cost of share based payments – exercised options	34,018	-	(34,018)	-
Cost of share based payments – lapsed options	-	7,940	(7,940)	-
Total transactions with owners	4,858,572	7,940	38,547	4,905,060
Balance at 31 December 2017	51,218,576	(48,741,375)	1,033,348	3,510,549
Balance at 1 July 2016	40,826,866	(39,324,074)	270,617	1,773,409
Loss for the period	-	(3,843,767)	-	(3,843,767)
Other comprehensive income	-	-	(50,729)	(50,729)
Total comprehensive loss for the period	-	(3,843,767)	(50,729)	(3,894,496)
Transactions with owners in their capacity as owners				
Issue of share capital	2,586,388	-	-	2,586,388
Share issue transaction costs	(145,256)	-	-	(145,256)
Directors' and adviser's issued capital share based payments	755,695	-	-	755,695
Director and employee share based payments, options and performance rights	16,943	-	413,346	430,289
Advisor share based payment, options	-	-	36,723	36,723
Total transactions with owners	3,213,770	-	450,069	3,663,839
Balance at 31 December 2016	44,040,636	(43,167,841)	669,957	1,542,752

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 December 2017

	Notes	31 Dec 2017 \$	31 Dec 2016 \$
Net cash flows from operating activities			
Receipts from customers		-	32,910
Payments to suppliers & employees		(1,757,499)	(1,766,384)
Interest received		2,165	1,645
R&D tax incentive refund		645,813	512,479
Net cash used in operating activities		(1,109,521)	(1,219,350)
Cash flows from investing activities			
Payment for plant & equipment	8	(6,349)	(25,312)
Payments for investment in equity accounted associate		(726,651)	(1,667,583)
Net cash provided by investing activities		(733,000)	(1,692,895)
Cash flows from financing activities			
Proceeds from issue of shares		4,878,365	2,586,388
Share issue transaction costs		(53,811)	(145,256)
Net cash provided by (used in) financing activities		4,824,554	2,441,132
Net (decrease)/increase in cash and cash equivalents		2,982,033	(471,113)
Cash and cash equivalents at the beginning of the period		573,727	1,045,551
Cash and cash equivalents at the end of the period	11	3,555,760	574,438

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of operations

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

2. General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 31 December 2017 and are presented in Australian Dollar (\$AUD), which is the functional currency of the Parent Company. These general purpose interim financial reports have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2017 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 28 February 2018.

3. Significant accounting policies

The interim consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2017 with the following supplementary disclosure:

Basis of consolidation

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.

Investments in associates are accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, 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 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.

4. Estimates

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

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2017. The only exception is the estimate of the provision for income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

5. Going Concern

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

Through Leaf Development, LLC, its joint venture with Claeris, the Group has significantly progressed its commercialisation objectives for its proprietary technology Glycell™. 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.

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.

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

6. Share of Loss of Associate

A subsidiary of Leaf, Leaf Resources USA, LLC holds a non-controlling interest in Leaf Development, LLC ('Leaf Development') a company formed in the State of Texas, USA on 15 July 2016. The functional currency of Leaf Resources USA, LLC is United States dollars. Leaf Development is the entity carrying out the Group's joint venture activities with Claeris. At 31 December 2017, Leaf Resources USA, LLC held 100% of the issued A Class Units and 50% of the issued F Class Units in Leaf Development, LLC, representing a combined ownership of 62.2% of the economic rights

The Directors have considered the principles of control set out in AASB10 Consolidated Financial Statements and have determined that the Company does not control Leaf Development as it does not have substantive rights to exercise power over the entity, and consequently it does not form part of the consolidated group.

The Company applies AASB128 Investments in Associates and Joint Ventures and has accounted for its investment in Leaf Development, LLC under the equity method. The investment in Leaf Development has been recognised at cost and adjusted for the group's share of Leaf Development's loss for the period 1 July 2017 to 31 December 2017

The Group's share of Leaf Development's loss for the period 1 July 2017 to 31 December 2017 was \$AUD397,134 (\$USD308,026) and is recognised in the group's profit and loss. The foreign exchange currency difference on translating Leaf Resources USA LLC, Leaf's holding company doe Leaf Development LLC, to Australian dollars is included in other comprehensive income.

	31 December 2017	30 June 2017
	AUD\$	AUD\$
Investment in associate	112,995	86,243

	31 December 2017	31 December 2016
Share of Leaf Development, LLC loss attributable to Leaf Resources USA, LLC	(397,134)	(789,753)
Currency gains on conversion of share of loss	1,114	184,181
Impairment recognised to 31 December 2017	(253,533)	(909,119)
Total share of loss of associate	(649,553)	(1,514,691)

7. Segment information

Description of segments

The Group has previously been organised into two operating segments. In the annual report for 2017 the Group advised that the gravel mining business had effectively ceased and would no longer be reported as an operating segment. As such the Group now operates in only one segment being the technology segment which undertakes research, development and commercialisation of specific technologies within the clean technology sector (R&D).

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

Segment information

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

8. Property, plant and equipment

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

	31 December 2017 \$	30 June 2017 \$
Plant and equipment		
Cost	47,058	51,609
Accumulated depreciation	(11,671)	(14,605)
Total property, plant and equipment	35,387	37,004

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

	31 December 2017 \$	30 June 2017 \$
Plant and equipment		
Opening written down value	37,004	28,685
Additions	6,349	26,603
Disposals	(3,376)	(9,931)
Depreciation	(4,590)	(8,353)
Closing written down value, plant & equipment	35,387	37,004

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

9. Earnings per share

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the parent company (Leaf Resources Limited) as the numerator, i.e. no adjustments to profits were necessary during the six (6) months period to 31 December 2017 and 31 December 2016.

Reconciliation of earnings used in calculating earnings per share	31 Dec 2017 \$	31 Dec 2016 \$
Loss attributable to the parent entity used in the calculation of basic and dilutive EPS	(2,205,726)	(3,843,767)
Loss attributable to the parent entity	(2,205,726)	(3,843,767)
Weighted average number of ordinary shares	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	191,605,634	147,919,622
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per shares	191,605,634	147,919,622

10. Calculation of dilutive EPS

As at 31 December 2017 there are 22,265,635 (31 December 2016: 9,369,608) unlisted options and performance rights on issue which were not included in the calculation of diluted earnings per share due to being anti-dilutive.

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

11. Cash and cash equivalents

Cash and cash equivalents include the following components:

	31 Dec 2017	30 June 2017
Cash at bank and in hand		
Cash held in \$AUD	3,491,788	393,321
Cash held in \$USD (converted to \$AUD)	4,742	97,807
Cash held in EURO (converted to \$AUD)	59,230	82,599
Cash and cash equivalents	3,555,760	573,727

12. Trade and other receivables

	31 Dec 2017 \$	30 June 2017 \$
Trade receivables	18,860	23,693
Impairment allowance	-	-
Net trade receivables	18,860	23,693
Other debtors	-	-
GST receivable	-	30,365
Prepayments	51,339	22,212
Deposit landlord	6,050	6,050
Accrued income	2,096	2,096
R&D tax incentive receivables	304,732	645,813
Total Trade and other receivables	383,077	730,229

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

Trade and or other receivables past due at 31 December 2017

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

13. Trade and other payables

Trade and other payables consist of the following:

	31 Dec 2017	30 June 2017
	\$	\$
Trade payables	166,047	165,650
Accruals	124,291	140,243
Other payables	107,948	43,621
Total trade and other payables	398,286	349,514

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

14. Employee benefits

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

	31 Dec 2017	30 June 2017
	\$	\$
Current		
Leave entitlements	105,349	141,366
Total employee benefits	105,349	141,366
Non-Current		
Leave entitlements	23,035	24,762
Total non-current employee benefits	23,035	24,762
Total employee benefits	128,384	166,128

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

15. Provisions

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

	31 Dec 2017	30 June 2017
	\$	\$
Carrying amount opening	50,000	125,000
Additional provision	-	50,000
Amount utilised	-	(125,000)
Carrying amount closing	50,000	50,000

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. The amount held in the provision account represents the Group's best current estimate of the cost of restoration.

16. Issued capital

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

	31 Dec 2017 Number	31 Dec 2017 \$	30 June 2017 Number	30 June 2017 \$
Movements in ordinary share capital				
Balance at beginning of financial year	184,357,233	46,360,004	142,749,760	40,826,866
Net share issue	51,843,331	4,612,054	34,326,234	4,760,500
Net issue under share based payments	667,778	-	5,981,239	755,695
Exercised / expired employee options	2,125,000	246,518	1,300,000	16,943
Total contributed equity	238,993,342	51,218,576	184,357,233	46,360,004

The Company issued shares at multiple times throughout the period to 31 December 2017 to increase the working capital of the Group to further the development and commercialisation of the Glycell™ process and to advance a potential project in Malaysia.

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

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

- a current employee and a past employee in December 2017

Following the exercise of employee performance rights shares were issued to:

- a current employee in December 2017

17. Reserves

	31 Dec 2017 \$	30 June 2017 \$
Share based payments reserve		
Movements:		
Balance at beginning of the financial year	1,094,099	270,617
Cost of share-based payment	80,506	840,425
Value of exercised options	(34,018)	(16,943)
Value of lapsed options	(7,940)	-
Balance at the end of the reporting period	1,132,647	1,094,099
Foreign currency translation reserve		
Movements:		
Balance at beginning of the financial year	(48,953)	-
Net gain on translation of currency	(50,346)	(48,953)
Balance at the end of the reporting period	(99,299)	(48,953)
Balance of reserves at 31 December 2017	1,033,348	1,056,146

The employee equity-settled benefits reserve records the value of equity benefits, i.e. share based payments, provided to employees and directors as part of their remuneration. Refer to Note 18 Share Based Payments for further details of these plans.

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

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

18. Share based payments

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

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

The following equity securities were granted during the reporting period:

Equity security	Expected volatility	Risk-free interest rate	Exercise price	Vesting date	Expiration date	Amount expensed to 31 Dec 2017
Performance rights	50.6%	1.92%	\$nil	01/07/2018 ¹	27/11/2022	\$2,746
Performance rights	50.6%	1.92%	\$nil	31/12/2017	27/11/2022	\$8,947
Performance rights	50.6%	1.92%	\$nil	01/07/2018 ² 01/07/2019 ^{2*} 01/07/2020 ^{2*}	27/11/2022	\$1,227

Rights will only vest if performance conditions are met

¹ Employee performance rights will vest if the employee is still employed by Leaf Resources Ltd at 1 July 2018

² Employee performance rights will vest if the Company's objective of a 2 times increase from the June 2017 VWAP of \$0.094 to the June 2018 VWAP (i.e. at or above \$0.188) is achieved. Pro-rata entitlement will apply if the June 2018 VWAP is at least 1.5 times the June 2017 VWAP (i.e. at or above \$0.141).

The fair value is recognised as an expense over the vesting period. In addition to the above, the following portion of the value relating to equity securities granted in previous periods was expensed to the statement of comprehensive income during the period to 31 December 2017:

- Employee Share Option Plan \$6,805
- Employee Performance Rights Plan \$40,827

19. Events subsequent to balance date

Since 31 December 2017 the following matter has arisen which may significantly affect the operations of the Group:

On 8 February 2018, Leaf Malaysia OpCo Sdn Bhd executed the Option to Purchase for the land at Segamat and paid the option consideration of RM 621,993.

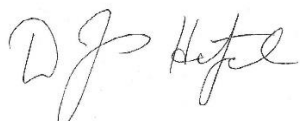
DIRECTORS' DECLARATION

In the opinion of the directors of Leaf Resources Limited:

- (a) the consolidated financial statements and notes of Leaf Resources Limited for the half year ended 31 December 2017 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* 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.

The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the half-year ended 31 December 2017.

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



Dr Jay Hetzel

Chairman

Brisbane, Queensland, Australia

28 February 2018

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Leaf Resources Limited (the Company) and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 31 December 2017, and 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 half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Leaf Resources Limited does not give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the half-year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Material Uncertainty Related to Going Concern

The Group incurred a net loss of \$2,205,726 during the half-year ended 31 December 2017 and had operating cash outflows of \$1,109,521 for the half-year then ended. These events or conditions, along with other matters as set forth in Note 5, indicate that a material uncertainty exists that may cast significant 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.

Directors Responsibility for the Half Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Leaf Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M S Bell
Partner - Audit & Assurance

Brisbane, 28 February 2018

Corporate Directory

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Ken Richards
Matthew Morgan
Doug Rathbone
William Baum
Alex Baker

Company Secretary: Tim Pritchard

Managing Director: Ken Richards

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