



# Leaf Resources Limited

Sustainable Products from Plant Biomass

ABN 18 074 969 056

ANNUAL  
REPORT 2018





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## Corporate Directory

### Board of Directors

Doug Rathbone  
Ken Richards  
Matthew Morgan  
Alex Baker  
Bill Baum

### Company Secretary

Tim Pritchard

### Managing Director

Ken Richards

### Registered Office & Principal 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 4000

### Stock Exchange

Leaf Resources Limited shares are listed on the Australian Securities Exchange (ASX: LER)

### Bankers

National Australia Bank  
Brisbane City Business Bankers  
Level 22, 100 Creek Street  
Brisbane, Queensland, Australia 4000

### Share Registry

Link Market Services Limited  
Level 21, 10 Eagle St,  
Brisbane, QLD, Australia, 4000  
Locked Bag A14  
South Sydney, NSW, Australia 1235

### Solicitors

Clayton Utz  
Level 28 Riparian Plaza,  
71 Eagle Street, Brisbane, QLD 4000

### Website

[www.leafresources.com.au](http://www.leafresources.com.au)



# Chairman's Message

Dear fellow shareholder,

The 2018 reporting period saw important and positive progress as we continued to collaborate closely with leading global partners and Government agencies to build a company centered around the pillars of sustainability – social impact, environmental responsibility and economic return.

We have achieved a number of critical milestones that place the Company in a strong position to commercialise our proprietary technology in the proposed biorefinery in Segamat, Malaysia.

We secured a two-year option on the Segamat site, which is ideally located for the biorefinery. It has an abundance of available biomass; proximity to key utilities and transport logistics; and is in an area that qualifies for potential government tax incentives.

Other highlights of the period included the completion of our FEL2 study for Malaysia, undertaken by leading international engineering company Aurecon, which demonstrated the positive economics of the project. This helped facilitate the signing of a feedstock supply MOU with Biovision & Greenergy, which is a critical element to the success of the biorefinery project. We have also partnered with leading international glycerol broker HBI International, to ensure supply for the project was guaranteed and committed sales of our refined glycerol were secured.

Last month, we completed phase 2 of the Integrated Design Study and welcomed Delegations from Malaysia including Federal Government officials and a large potential offtake partner, to the Bioprocess Pilot Facility B.V. in Delft, Holland.

We will now progress to phase 3 of the Integrated Demonstration Study in October which will provide the necessary data for the FEL3 site specific study.

Subsequent to the end of the reporting period, we entered into an MOU with PETRONAS Chemicals Group Berhad. The MOU provides for, among other things, a study of chemical markets and commercially ready bio-technologies. Subject to satisfactory findings in the study and the approval of PETRONAS, the parties may pursue an offtake agreement for the fermentable sugars produced at the proposed Segamat biorefinery. The interest and support of one of South East Asia's largest integrated chemical companies is a strong validation of the progress we are making.

In addition to our Malaysian plans, we are progressing the opportunity with the Queensland State Government, under the Biofutures program, to assess the feasibility of a biorefinery in our home state. Our Chief Operating Officer met with the Minister of State Development, Mr. Cameron Dick, while attending the BIO World Congress held in Philadelphia last month.

The Company has considerably strengthened our technology portfolio after licensing a renewable, recyclable coating for linerboard/corrugated paperboard from the Queensland University of Technology. LeafCOAT™ delivers an unmet demand for sustainable coatings that are biodegradable, renewable and can be recycled in traditional waste collection systems.

It is crucial we maintain the most effective blend of experience and contemporary vision on our Board. After 7 years of service on the Board, Dr Jay Hetzel retired from his position as Chairman. He was instrumental in transitioning Leaf from its Australian base to become an emerging global leader empowering the growth of green chemistry. We thank him for his contribution.

Management changes throughout the year saw Alex Baker join the Board as a non-executive Director, and our executive team was bolstered by the appointment of Jason Lowry as Chief Operating Officer and Tim Pritchard as Chief Financial Officer.

The Company welcomed our first Institutional Investor, Tribeca as a major shareholder. Tribeca is well known for its commitment to green innovative companies.

Leaf Resources will continue to strive towards its vision of industry leadership and its sustainability goals in the year ahead. As we do, you have our commitment that we will be working to continue to deliver on our project milestones, while diligently addressing those aspects of our performance in which we see the greatest opportunities for improvement.

We are proud of all that our people and partners did to create incremental value last year. I'm confident that we delivered on our commitment to successfully position our business for more robust and sustainable growth.

Thank you for your ongoing interest and your investment in Leaf Resources Limited.

**Doug Rathbone**  
**Chairman**



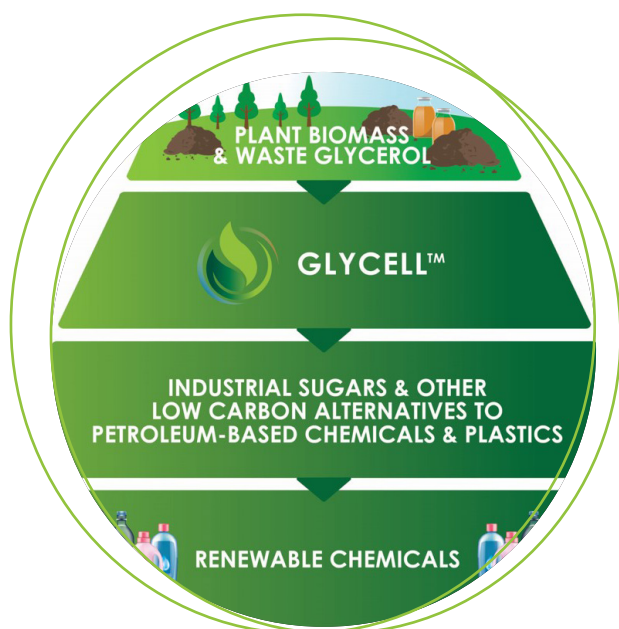
# CEO Report 2018



It gives me great pleasure to present the 2018 Annual Report for Leaf Resources Limited (ASX: LER), reflecting on a year that has been pivotal in terms of Leaf validating its technology and moving towards the development of its first biorefinery.

There is growing consumer awareness of plastic problems and alarm about pollution and climate change, and a desire to remove petroleum from products. Leaf has developed technology that can convert biomass from plant waste into industrial sugars, reducing the need for petrochemicals, making us ideally placed to fill a massive gap in the market with a product that is renewably sourced and produced in an environmentally friendly way.

During the year, the Company laid solid foundations for a biorefinery at Segamat, Johor in Malaysia to produce its proprietary Glycell™ industrial sugars, while also introducing the LeafCOAT™ product to address the needs of renewable packaging and food packaging markets, which are both potentially very large markets.



#### Leaf has worked hard through 2018 to achieve:

- Completion of a FEL (Front-End Loading) level 2 feasibility study for the Segamat project.
  - Signing of a biomass agreement (MOU) with Biovision & Greenergy SDN BHD (B&G).
  - Signing a non-binding Memorandum of Understanding (MOU) with PETRONAS Chemicals Group Berhad (CG) in relation to Leaf's proposed biorefinery project in Malaysia.
  - Discussions with contractors to complete a FEL3 feasibility study underway – appointment expected soon.
  - Application for 15 years tax free status under the "Less Developed Area" incentive lodged and well progressed.
  - Application lodged for offset finance from Malaysia's Technology Development Authority (TDA) and well progressed.
- ("BFS") for Segamat project, due for completion in early CY2019.

#### By the end of CY2018, Leaf expects to:

- Have a FEL3 level feasibility study underway.
- Find end market users for Leaf's industrial sugars.
- Sign a utilities agreement for Segamat
- Sign agreement with Engineering, Procurement and Construction for Segamat.
- Maintain progress on Bankable Feasibility Study ("BFS") for Segamat project, due for completion in early CY2019.



## Opportunities

Leaf continued to advance its first commercial facility in Johor, Malaysia throughout the year, with work undertaken on several fronts in relation to its development. In November 2017, Leaf and development partner Claeris, identified and signed a term sheet for a strategically positioned site in Segamat, Johor for the development of Leaf's first commercial scale biorefinery.

The Segamat site is located next to the Segamat Inland Port facilities, providing excellent logistics to ports at Johor and Kuala Lumpur. The site is also surrounded by an abundant supply of Empty Fruit Bunch (EFB), essential to the ongoing supply of biomass the project requires.

Leaf executed a two-year option on a site at Segamat in February 2018. The site has excellent access to biomass within a 120km radius, EFB handling facilities, utilities established adjacent to the site, excellent logistics via the Segamat Inland Port, rail and road options to Johor and Kuala Lumpur ports, and a tax exemption with "less developed area" incentives that include potential for income tax exemption of 100% for up to 15 years. Leaf has lodged an application for this exemption with the Malaysian Investment and Development Authority.



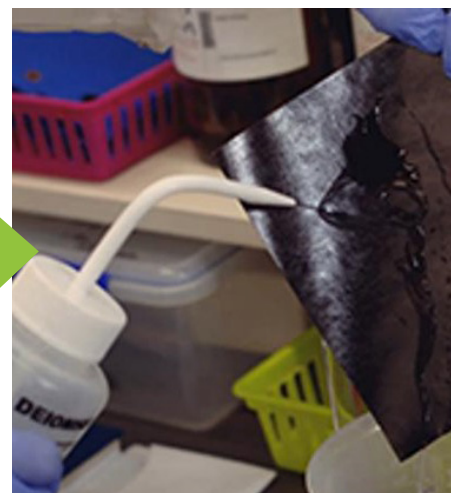
## Board & Management

There were several changes to Leaf's Board and Management during the year. Jay Hetzel resigned after seven years as a board member and six years as Chairman of Leaf. Doug Rathbone took over as Chairman from 1 April, bringing his considerable experience as Managing Director of Nufarm for 20 years. Alex Baker joined the Board as a Non-Executive Director on 1 February 2018, having resigned as Leaf's Chief Operating Officer after six years in the role. His appointment to the Board ensured Leaf retained his knowledge and experience. In March, Leaf appointed Jason Lowry as its new Chief Operating Officer, bringing 15 years' experience in senior management roles. Working with large sugar industry multinationals, such as Cargill and American Crystal Sugar, his expertise is in areas directly applicable to Leaf's Glycell™ process and he has a worldwide contact base of companies collecting biomass and exploring commercial opportunities.



Integrated  
Design  
Study, Holland

Lignin  
Barrier  
Coating





## LeafCOAT™

Early in 2018, Leaf secured an exclusive licence from QUT bluebox, the commercial arm of the Queensland University of Technology, for an innovative biodegradable coating product for the packaging market. Dr Les Edye, now Leaf Resources' Head of Research and Development, was part of the QUT team to develop the product. The exclusive license with QUT bluebox covers the territories of North America, Canada, Malaysia and Brazil.

Leaf believed this was an ideal opportunity for the Company, as it provided Leaf with technology to produce a renewable, recyclable and biodegradable waterproofing coating for paper and cardboard. This product opens large opportunities to replace wax and or plastic coatings in cardboard boxes, food containers and coffee cups as well as being able to replace black plastic used for mulching.

The product complemented and enhanced the economics of Leaf's Glycell™ process, as it uses two of the core outputs, lignin and glycerol.

The biodegradable packaging market is worth \$5 billion annually and expected to grow at a CAGR of +20% per annum. Leaf believes that LeafCOAT™ has the potential to be a significant product in this market.

In the April quarter, interest in LeafCOAT™ from potential large customers started to grow, and Leaf undertook discussions with eight companies about opportunities in various target markets and sent samples to six for testing.

Leaf fielded more enquiries on LeafCOAT™ and associated LeafPULP through the June quarter, signing additional non-disclosure agreements (NDAs) with potential customers, with three moving into appraisal and testing various facets.

Leaf remains confident that LeafCOAT™ will find a market in the packaging industry as plastic bans continue to widen. Leaf is aiming to secure at least one supply agreement for LeafCOAT™ by the end of CY2018.

## Project Development

### Feasibility Study Progress

In the April quarter, Leaf appointed international engineering company Aurecon to undertake a FEL level 2 feasibility study to assess the technical aspects, model and validate the economics of Leaf's project in Malaysia.

Leaf commissioned Aurecon to independently review the technical data relating to the Glycell™ process and report on the technical feasibility of the process, as well as the suitability and co-location opportunities of the proposed Segamat site for the Biorefinery Project.

In June, Leaf reported results from Aurecon's study.

Key findings included:

- Establishment of Biorefinery Project at Segamat, Malaysian site location and use of empty fruit bunch (EFB) feedstock to Glycell™ process is technically feasible
- Segamat site is "ideally suited" to the Biorefinery Project with large volumes of local, low cost EFB biomass available for sugars conversions and energy supply
- Strong Malaysian Government support
- All major environmental impact assessment approvals achievable within reasonable timeframe
- Strong project economics on base case, with potential for upside

Estimated financial results (approximate):

- Base case (no debt, before tax)
  - NPV US\$193m IRR 23%
- Base case (50% debt, after tax)
  - NPV US\$174m IRR 31%
- Upside Case (50% debt, after tax)
  - NPV US\$438m IRR 58%

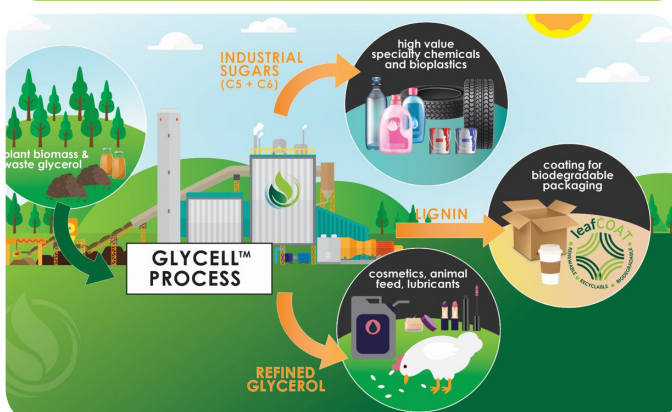
Completion of the Feasibility Study marked an important milestone for Leaf, being a critical step in the process to advance the project and facilitate its progress towards final design, financing, regulatory and board approvals.

Aurecon concluded that the project is technically feasible with the ability to value-add low cost EFB biomass and raw glycerol into high value renewable feedstocks and products.

Leaf is now in discussions with contractors regarding the FEL3 level feasibility study and expects to make an appointment regarding this soon.

### Integrated Design Study

Leaf successfully completed Phase 1 of its Integrated Design Study (IDS) in December 2017 at Bioprocess Pilot Facility B.V.'s pilot plant in Delft, Holland.





The IDS is a financing requirement for the project and involves about 1,000 hours of run time to fine tune the process and provide further data and inputs for the final engineering study, the FEL3 study. It follows more than 350 hours of successful testing at the Andritz test facility in Springfield, Ohio.

Phase 2 of the IDS proceeded in Holland in May 2018. In Phase 2, the IDS successfully demonstrated the Glycell™ process to an interested delegation of 10 people from Malaysian government and business, including a team from Biovision and Greenenergy Sdn Bhd (B&G), which later signed an MOU with Leaf.

Phase 2 consisted of several low volume test runs to evaluate new filtration equipment and integrate the sub-system into the BPF pilot plant. The linkage between the initial digestion phase (breaking down of plant biomass) and the filtration phase was successfully trialed. This was followed by a longer continuous run of both the digestion and filtration processes, as well as the hydrolysis stage of the integrated system. From this run, the Company produced C6 sugar and lignin samples for testing by potential downstream off-take partners. Results indicated the optimisation achieved would benefit the commercial installation.

Phase 3, which will commence in October 2018, will see all three elements of the process integrated over a planned 900 hours of run time, producing samples of all four products: C5 and C6 sugars, refined Glycerol and Lignin.

## Partners

Leaf signed an exclusive agency agreement with HB International for the supply of raw glycerol and the sale of refined glycerol. HB International is one of the largest glycerol brokers in the world, with a strong presence in Asia. Crude glycerol is a key input for Leaf's process and refined glycerol is a key output.

Post year-end, Leaf signed a Fibre Supply Agreement with Malaysian company Biovision & Greenenergy SDN BHD (B&G) which will see the companies negotiate to complete definitive legal agreements for B&G to supply Leaf with empty fruit bunch fibre (EFBF) that Leaf can use to produce industrial sugars, lignin and refined glycerol through its propriety Glycell™ process.

These actions mean that the supply of the two key inputs for the project, biomass and glycerol, are well progressed.

Under the Fibre Supply Agreement, B&G would supply about 100,000 bone dry metric tonnes (BDMT) of EFBF per year. The agreement has an initial term of 10 years and would see the companies work together during the design and pre-operation period of the Segamat biorefinery on the design of delivery and storage areas and to establish delivery protocols.

The agreement has an initial term of 10 years and would see the companies work together during the design and pre-operation period of the Segamat biorefinery on the design of delivery and storage areas and to establish delivery protocols. This agreement followed the signing of a Letter of Intent with B&G earlier in the year.

In August 2018, Leaf announced it had signed a non-binding Memorandum of Understanding (MOU) with PETRONAS Chemicals Group Berhad (PCG) in relation to Leaf's proposed biorefinery project in Malaysia. The MOU provides for, among other things, a study of chemical markets and commercially ready bio-technologies. Subject to satisfactory findings in the study and the approval of PCG, the parties may pursue an offtake agreement for the fermentable sugars produced at the proposed Leaf facility in Segamat Johor Malaysia on terms mutually agreed by the parties and consistent with global project finance standards.

## Government support

The Leaf team continued 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.

In the April quarter, Leaf and B&G met with Johor State Government representatives to discuss planning and relevant approvals, receiving a positive response. Leaf's application for "Less Developed Area" status for the Segamat site is progressing, pending the application for a manufacturing licence from the State of Johor.

A change in government in Malaysia as a result of May 2018 elections was a positive outcome for the country as the new government signaled a strong focus on creating jobs, growing the economy and moving Malaysia to a more sustainable economy. The new government supports the United Nation's Sustainable Development Goals (SDG) and the goal of reducing 40 percent carbon emissions by 2020 is one of its key administrative measures. The new Government is also expected to focus on green technology development and renewable energy, stating that the industry has the potential to grow rapidly, creating more job opportunities and ensuring increased returns.

However, due to the change of government, Leaf expected a slight slowdown in project approvals as the government/bureaucracy transitions to the new regime.





## Accelerator Program

Unreasonable Impact is a partnership between global financial firm Barclays and Unreasonable Group focused on scaling ventures that have the potential to solve major environmental and societal problems while creating the jobs of tomorrow.

In June 2018, Leaf was selected to be part of the program. It is the only Australian company – as well as the only bio-economy company – chosen for the current program, focused on the Asia-Pacific region.

Unreasonable Impact has forged partnerships with some of the world's largest institutions and brands, and its programs focus on solving the United Nation's 17 Sustainable Development Goals (SDGs).



Leaf was chosen thanks to its innovative Glycell™ process and biodegradable recyclable packaging product LeafCOAT™. When implemented, these processes and products can significantly contribute to several of the United Nations Sustainable Development Goals. Leaf is well-positioned to support SDG 8 (decent work and economic growth), SDG 12 (responsible consumption and production) and SDG 13 (climate action).

Unreasonable Impact aims to rapidly scale up entrepreneurial companies which address key environmental issues while possessing highly profitable business models and an ability to create thousands of new jobs. Leaf's technology has potential to create jobs in rural areas where it can be more difficult to do so.



## Industry recognition

Leaf maintained its place in the top 10 of the Hottest Emerging Companies in The Advanced Bioeconomy, voted number nine 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 Bioeconomy news, with more than 2.3 million readers.





## Financing

During the year, Leaf's development partner Claeris identified a pathway to secure "offset financing" through a Malaysian Industrial Collaboration Program that provides funds for deployment on approved projects administered by government authority the Technology Development Authority (TDA). The fund has US\$11.2 billion available for purchases over RM50M to create jobs, growth and technology transfer.

The TDA approves a weighting factor for the project. A weighting factor means that companies with obligations to the TDA can discharge them with less investment e.g. a weighting of two will halve their obligation whilst a weighting of four cuts it by 75%. Leaf lodged an application for TDA approval and the application is progressing positively.

## Fundraising

Leaf raised \$3 million in December 2017 through placement of 33,333,333 ordinary shares to sophisticated investors at \$0.09 per share. Tribeca Investment Partners, through the Tribeca Global Natural Resources Fund, was a cornerstone investor in the placement and added an investment of \$1.92m to its previous investment in Leaf.

Funds from this placement were used to advance Leaf's project in Malaysia by commencing engineering studies, as well as advancing marketing of its biodegradable paper coating LeafCOAT™ and undertaking further testing.

Post year-end, Leaf raised \$5 million through a private share placement to new and existing domestic and international institutional and sophisticated investors via the issue of 66.7 million new fully paid ordinary shares in the Company ("Shares"), at an issue price of \$0.075 per share.

Investors who participated in the Placement received one free attaching option for every two shares subscribed for in the Placement which will be exercisable at \$0.09 on or before 31 May 2019.

Leaf will use proceeds of the Placement to progress the ongoing commercialisation of Leaf's proprietary Glycell™ technology, including engineering works for the Malaysian Biorefinery project. The engineering works include a Phase 3 integrated design study (IDS) which is expected to commence in October 2018 and is integral to progressing the Biorefinery Project through a planned bankable feasibility study, project financing, and final approvals. Funds will also provide general working capital.

## Conclusion

The past 12 months have seen Leaf achieve great progress in the development of a biorefinery in Malaysia, as well as further position itself as a developer and producer of innovative and environmentally friendly packaging products to meet a growing market.

We thank our Board, management and staff for their efforts over the past year, which has been incredibly busy as Leaf has worked hard to achieve its objectives in several different areas.

We also thank our Shareholders for their continued support and belief in Leaf as a company that will achieve the goals it sets.

As we look to 2019, we believe it will be another important year in our development, and we look forward to reporting on our milestones as we reach them.

**Ken Richards,**  
Managing Director

**\$7M**  
CAPITAL RAISED



A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are arranged in a way that creates a sense of height and depth, with the sky visible in the center. The glass reflects the sky and each other, creating a complex pattern of lines and reflections. The overall tone is professional and corporate.

Leaf Resources Limited

# Directors' Report 2018



# Directors' Report

## Information on Directors

The names and details of the directors in office during the year and until the date of this report are as follows. Directors have been in office for this entire year unless otherwise stated.

### DOUGLAS J. RATHBONE

#### Chairman

Doug has extensive experience in agriculture with broad knowledge across the whole sector from production to processing. He is a chemical engineer and commerce graduate 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 joined the Board of Leaf Resources in 2016 and is currently the Chairman of Rathbone Wine Group, a Director of Cotton Seed Distributors, AgBiTech, Chia Seeds and Go Resources and a former member of Rabobank Advisory Board. He is also a former Board member of the CSIRO. He has won a number of distinguished awards. These 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. In 2016 Doug was named Queens Birthday honours and awarded a member of Australia.

**Non-Executive Director:** Appointed 1 November 2016

**Chairman:** Appointed: 1 April 2018

**Member of the Audit Committee:** Appointed 1 November 2016

**Other current listed directorships:** CANN Group Limited

**Previous directorships (last 3 years):** None

**Interests in shares, options and performance rights:** 1,503,449 ordinary shares, 3,000,000 unlisted options

### KEN RICHARDS

#### Managing Director

Ken Richards 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.

Currently Ken is the Managing Director of Leaf Resources Limited (ASX: LER) which he and the Leaf team have grown from a \$2M market capitalization to a \$20M Company and one with imminent commercial opportunities across multiple continents.

Ken is a fellow of the Australian Institute of Company Directors, is a former board member of Golf Australia and was previously Deputy Chairman of Surf Life Saving (WA). He holds a Bachelor of Commerce and Master of Business Administration (MBA) 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 2007 to March 2017)

**Interests in shares, options and performance rights:** 16,101,919 ordinary shares, 972,599 performance rights

### MATTHEW MORGAN

#### Non-Executive Director

Matthew 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. He is a former venture capitalist at QIC and is experienced in capital raisings, mergers and acquisitions and has held executive positions in a variety of private equity funded organisations. He was a co-founder of Diversa Ltd (ASX: DVA) a financial service business acquired by OneVue Holdings Ltd (ASX: OVH) and is currently a non-executive Chairman of ASX listed company Sensera Limited (ASX: LER) and a non-executive director at Brain Resource Limited (ASX: BRC). He Chairs the Audit and Risk Committee for both Companies. 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 6 July 2016), Brain Resource Limited (Limited (appointed 1 March 2016)  
**Previous directorships (last 3 years):** Diversa Ltd (Aug 2008 - Sep 2016), Bluechip Ltd (Feb 2014 - Mar 2016)  
**Interests in shares, options and performance rights:** 1,453,206 ordinary shares, 1,175,000 unlisted options

## **BILL 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; Arzeda, a computational systems biology company; and Watt Companies, a commercial real estate company. 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 Watt Companies. Commercial real estate  
**Previous directorships (last 3 years):** Genomatica, ZeaChem  
**Interests in shares, options and performance rights:** 800,000 unlisted options

## **ALEX BAKER**

### **Non-Executive Director**

Mr. Alex Baker is an experienced executive with over 20 years multi-sector experience in the life sciences, biopharma and industrial biotechnology areas delivering product innovation, leadership and business management. He is a Non-Executive Director of Leaf Resources and has C level experience in a range of companies including listed Australian stock exchange (ASX) groups and was part of the listing team for one of Australia's largest IPO's in the biotech/specialty pharma sector. Alex holds a Master of Technology Management, Graduate Diploma in Biotechnology and a Bachelor of Science and is a member of the Australian Institute of Company Directors.

**Non-Executive Director:** Appointed 1 February 2018  
**Member of the Audit Committee:** Appointed 1 February 2018  
**Other current listed directorships:** None  
**Previous directorships (last 3 years):** None  
**Interests in shares, options and performance rights:** 3,546,840 ordinary shares

## **DR. JAY HETZEL**

### **Previous Chairman**

Dr. Hetzel has a background in life sciences research, product development and commercialisation. He had a distinguished research career with CSIRO for more than 20 years in animal genetics and genomics. In 1998 he co-founded Genetic Solutions Pty Ltd to commercialise genomics technology in livestock. The company was sold to Pfizer Animal Health in 2008. He has since worked on commercialising a range of bio-based products in early-stage ventures and is currently Chairman of ASX-listed Anantara Lifesciences Ltd and Chairman of UniQuest Ltd, the commercialisation company of the University of Queensland. He is a Fellow of the Australian Academy of Technology and Engineering and a Fellow of the Australian Institute of Company Directors.

**Chair of the Board:** Appointed 12 September 2012 – Resigned 31 March 2018  
**Member of the Audit Committee:** Appointed 11 August 2011 – Resigned 31 March 2018  
**Non-Executive Director:** Appointed 1 August 2011 – Resigned 31 March 2018  
**Other current listed directorships:** Anantara Life Sciences Ltd (appointed August 2014)  
**Previous directorships (last 3 years):** None  
**Interests in shares and options:** 4,462,923 ordinary shares, 1,200,000 unlisted options



**TIM PRITCHARD**  
**Company Secretary**

Mr. Tim Pritchard joined Leaf Resources in 2017 as Chief Financial Officer and Company Secretary. Mr. Pritchard has over 20 years management experience in finance, accounting, consulting, project management and information technology. In addition to extensive accounting experience, he has led a number of successful business transformation and system implementation assignments that have resulted in significantly improved financial processes and business systems. Before joining Leaf Resources, Mr. Pritchard was most recently engaged as the Chief Financial Officer and Company Secretary of ReNu Energy, an ASX listed renewable energy company.

**Principal Activities**

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

- The commercial development of the Group's Glycell™ process including:
- Investigating and implementing technical improvements to the process;
- Broadening the range of biomass that can be used with the Glycell™ 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.

**Operating Results for the year**

- Information on the operations of the group and its business strategies and prospects is set out in the CEO report and activities on pages 4-10 of this annual report.
- The Group's operating loss after the R&D income tax refund for the year ended 30 June 2018 amounted to \$4,385,972 (30 June 2017 – \$7,219,515 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 \$4,768,437 (from \$46,360,004 to \$51,128,441) as the result of:

- Rights issue (\$1,561,866),
- Placements to sophisticated investors as part of the capital raising program (\$2,962,482), and
- The exercise of options (\$24,089)

During the year the company issued 3,650,000 options to staff under the Employee Share Option Plan as a long-term incentive.

During the year the company granted 2,542,880 rights under the Performance Rights Plan to:

- the managing director – 1,255,056 rights (approved by shareholders at the Annual General Meeting on 30 October 2017);
- other employees – 1,287,824 rights

At 30 June 2018, 297,662 of the performance rights granted during the year had vested.

On 1 July 2018 the following rights lapsed:

- granted to the managing director – 1,060,237 rights
- granted to employees – 1,184,981 rights

**Events arising since the end of the reporting period**

Since the end of the reporting period, the Company has conducted a placement of shares at an issue price of \$0.075 per share that raised \$5,000,000.

**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 2018.

**Environmental issues**

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

## Directors' meetings

The number of meetings of the Company's Board of Directors and Audit and Risk Committee members held during the year ended 30 June 2018 and the number of meetings attended by each Director / member were:

Director	Board Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Doug Rathbone	5	5	2	2	1	1
Ken Richards	5	5	n/a	n/a	n/a	n/a
Matt Morgan	5	5	2	2	1	1
Bill Baum	5	5	1	1	0	0
Alex Baker	2	2	0	0	0	0
Jay Hetzel	4	4	2	2	1	1

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

Column B is the number of 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:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based remuneration
- Bonuses included in remuneration
- 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.



# Remuneration Report (audited)

## 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, the Employee Share Option Plan or other incentive schemes approved by the Board.

## 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 2017 Annual General Meeting

The company received 99.62% of "yes" votes on its remuneration report for the 2017 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.

	2018	2017	2016	2015	2014
EPS (cents)	(2.01)	(4.32)	(2.07)	(1.80)	(2.45)
Dividends (cents/share)	-	-	-	-	-
Net profit/(loss) (\$)	(4,385,972)	(7,219,515)	(2,606,254)	(1,913,485)	(1,528,383)
Share price (\$)	0.08	0.11	0.115	0.16	0.05

# Remuneration Report (audited)

## (b) Details of Remuneration

		Short term employee benefits	Post Employment 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	2018	325,400	-	25,000	-	-	-	-	47,201 <sup>A</sup>	397,601	12%
	2017	320,000	-	30,400	-	-	-	-	43,338 <sup>B</sup>	393,738	11%
Non-Executive Directors											
Doug Rathbone	2018	162,011 <sup>C</sup>	-	4,989	-	-	-	-	-	167,000	0%
	2017	51,588	-	2,621	-	-	21,000 <sup>D</sup>	235,526 <sup>D</sup>	-	310,735	0%
Matthew Morgan	2018	50,000	-	-	-	-	-	-	-	50,000	0%
	2017	56,875	-	-	-	-	25,000 <sup>D</sup>	50,899 <sup>D</sup>	-	132,774	0%
Bill Baum	2018	52,083	-	-	-	-	-	-	-	52,083	0%
	2017	-	-	-	-	-	-	46,543 <sup>E</sup>	-	46,543	0%
Alex Baker <sup>F</sup>	2018	133,887	-	12,218	-	-	-	-	29,726	175,831	17%
	2017	219,178	-	20,822	-	-	-	-	124,635	364,635	34%
Jay Hetzel <sup>G</sup>	2018	54,795	-	5,206	-	-	-	-	-	60,000	0%
	2017	67,933	-	6,454	-	-	-	76,349 <sup>D</sup>	-	150,736	0%
Charles Wilson <sup>H</sup>	2018	-	-	-	-	-	-	-	-	-	0%
	2017	-	-	1,231	-	-	12,936	-	-	14,167	0%
Other Key Management Personnel											
Jason Lowry	2018	66,567	-	2,524	-	-	-	818	-	69,909	1%
	2017	-	-	-	-	-	-	-	-	-	-
Tim Pritchard	2018	75,065	-	7,274	-	-	-	695	3,140	86,173	4%
	2017	-	-	-	-	-	-	-	-	-	-
2018 Total		919,808	-	57,210	-	-	-	1,513	80,067	1,058,598	
2017 Total		715,574	-	61,527	-	-	58,936	409,317	167,973	1,413,328	

A. At the Company's annual general meeting held on 30 October 2017, shareholders approved the issue of 1,255,056 performance rights to Ken Richards being:

- in lieu of payment of 2016/2017 short-term incentive bonus (\$16,949) (194,819 Rights), issued in November 2017 and vested on 30 June 2018;
- as part of the Company's long term incentive program 2017/2018 (\$4,809) (1,060,237 Rights). These performance rights lapsed on 1 July 2018 due to the performance condition not being met.

In addition, the value of performance rights granted during the 2016 and 2017 financial years and expensed during the current financial year has been recognised (\$25,443)

\* The performance rights granted as part of the Company's long term incentive program were valued using the Monte Carlo simulation method.

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 as part of the Company's long term incentive program 2015/2016 (\$8,003) (666,667 Rights), issued in January 2016 and lapsed on 1 July 2016.

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.

\* The performance rights granted as part of the Company's long term incentive program were valued using the Monte Carlo simulation method.

C. In addition to the services provided by Mr Rathbone as a director, the company has engaged Mr Rathbone in an advisory and consulting capacity. Under the terms of this agreement Mr Rathbone is paid a monthly retainer of \$3,000 + GST. Under the terms of the agreement Mr Rathbone is entitled to a 3% fee on funds invested where a strategic partner or investor is introduced. Mr Rathbone was paid a fee of \$75,000 during the year for the introduction of a strategic investor.

D. 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);
- 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)

E. 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.

F. Mr Alex Baker resigned from his position as Chief Operating Officer on 31 December 2017. He was appointed as a Director on 1 February 2018. Cost of performance rights related to rights issued during Mr Baker's tenure as an employee.

G. Mr Jay Hetzel resigned as Chairman on 31 March 2018.



# Remuneration Report (audited)

## (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: 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.

Name	Base salary including superannuation*	Term of agreement	Notice period	Termination payments**
<b>K Richards</b>	350,400	No fixed term	Six months	Six months
<b>J Lowry</b>	240,000	No fixed term	Three months	Three months
<b>T Pritchard</b>	160,000	No fixed term	One month	One month

\*Base salaries quoted are for the year ended 30 June 2018; 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	Expiry date	Exercise price	Value <sup>c</sup>	% Vested
Options					
<b>22-May-2018<sup>A</sup></b>	22-May-2019	22-May-2023	\$0.15	\$0.022	0%
	22-May-2020	22-May-2023	\$0.15	\$0.022	0%
	22-May-2021	22-May-2023	\$0.15	\$0.022	0%
<b>22-May-2018<sup>A</sup></b>	19-Mar-2019	19-Mar-2023	\$0.15	\$0.022	0%
	19-Mar-2020	19-Mar-2023	\$0.15	\$0.022	0%
	19-Mar-2021	19-Mar-2023	\$0.15	\$0.022	0%
<b>16-Jun-2017</b>	03-Jul-2017	03-Jul-2022	\$0.22	\$0.058	100%
<b>23-Dec-2016</b>	23-Dec-2016	23-Dec-2021	\$0.22	\$0.064	100%
<b>23-Dec-2016</b>	23-Dec-2016	23-Dec-2021	\$0.145	\$0.079	100%
<b>03 Sept-2014</b>	03-Sep-2014	03-Sep-2018	\$0.10	\$0.030	100%
Performance Rights					
<b>01-Dec-2017<sup>B,D</sup></b>	01-Dec-2018	01-Dec-2022	\$nil	\$0.022	0%
	01-Dec-2019	01-Dec-2022	\$nil	\$0.022	0%
	01-Dec-2020	01-Dec-2022	\$nil	\$0.022	0%
<b>27-Nov-2017<sup>B,D</sup></b>	01-Jul-2018	27-Nov-2022	\$nil	\$0.009	0%
	01-Jul-2019	27-Nov-2022	\$nil	\$0.009	0%
	01-Jul-2020	27-Nov-2022	\$nil	\$0.009	0%
<b>27-Nov-2017</b>	01-Jul-2018	27-Nov-2022	\$nil	\$0.087	0%
<b>01-Dec-2016</b>	01-Jul-2017	01-Dec-2021	\$nil	\$0.16	100%
<b>11-Jan 2016</b>	01-Jul-2016	11-Jan-2021	\$nil	\$0.15	100%

A. Option grants with multiple vesting dates occurred over three tranches with 1/3 vesting 12 months from grant date, 1/3 vesting 24 months from the grant date and the balance 36 months from grant date.

B. Performance rights granted with multiple vesting dates will occur over three tranches, subject to specified performance criteria being met, with 1/3 vesting 12 months from grant date, 1/3 vesting 24 months from grant date and the balance 36 months from grant date.

C. Value per option or performance right at grant date.

D. Performance conditions were not met and performance rights have not vested.

# Remuneration Report (audited)

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, chief operating officer and chief financial 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 the exercise price for the respective option with the exercise period expiring five 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.

The managing director and the chief financial 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 to the managing director, the continuation of employment up to and including 30 June 2018 at which time the performance condition was met and the rights immediately vested.
- in respect of the performance rights granted to the chief financial officer under the LTI plan, an increase in the Company's share price from June 2017 VWAP of \$0.094 to June 2018 VWAP of between \$0.14 and \$0.19 at which time the rights would vest in three equal annual instalments from the first vesting date of 1 July 2018. This vesting condition was not achieved and the LTI performance rights have lapsed.

Name	Number Granted	Grant Date	Value <sup>A</sup>	Number Vested	Year May Vest
<b>J Hetzel</b>	1,200,000 options	23 Dec 2016 <sup>D</sup>	\$76,349	1,200,000	Vested
<b>M Morgan</b>	375,000 options	3 Sep 2014 <sup>B</sup>	\$11,375	375,000	Vested
	800,000 options	23 Dec 2016 <sup>D</sup>	\$50,899	800,000	Vested
<b>D Rathbone</b>	3,000,000 options	23 Dec 2016 <sup>D</sup>	\$235,526	3,000,000	Vested
<b>W Baum</b>	800,000 options	16 Jun 2017 <sup>E</sup>	\$46,543	800,000	Vested
<b>K Richards</b>	777,780 rights	11 Jan 2016 <sup>C</sup>	\$116,667	777,780	Vested
	194,819 rights	27 Nov 2017 <sup>F</sup>	\$16,949	194,819	Vested
	1,060,237 rights	27 Nov 2017 <sup>F</sup>	\$9,029	Nil	1 July 2018
<b>Alex Baker</b>	102,843	27 Nov 2017	\$8,947	102,843	Vested
<b>J Lowry</b>	1,000,000 options	22 May 2018	\$22,388	Nil	19 Mar 2019
<b>T Pritchard</b>	265,060 rights	1 Dec 2017	\$5,916	Nil	1 July 2018
	850,000 options	22 May 2018	\$19,029	Nil	22 May 2019

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 2018 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 Carlo simulation method. Details of the inputs are disclosed in Note 25.

B. Options issued to directors of the company and approved by shareholders at the annual general meeting held on 28 November 2013.

C. 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.

D. Options issued to directors of the company and approved by shareholders at a general meeting on 15 December 2016.

E. Options issued to a director of the company and approved by shareholders at an extraordinary general meeting on 16 June 2017.

F. Performance rights granted to the manager are subject to approval by shareholders at the next annual general meeting.

G. Performance rights lapsed on 1 July 2018 as performance conditions were not met.



# Remuneration Report (audited)

## (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 vested in the financial year, and the percentage that was forfeited because the service and performance criteria was not met 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 2018 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
<b>K Richards performance criteria</b>	2018	18%	Nil%	Nil%	100%	1,255,056 performance rights <sup>A</sup>
	2017	Nil%*	Nil%	Nil%	100%	909,090 performance rights <sup>B</sup>
<b>Alex Baker performance criteria</b>	2018	100%	Nil%	Nil%	100%	102,843 performance rights <sup>D</sup>
	2017	Nil%	Nil%	Nil%	100%	1,292,208 performance rights
<b>J Lowry performance criteria</b>	2018	Nil%	Nil%	Nil%	100%	1,000,000 options
	2017	N/A	N/A	N/A	N/A	N/A
<b>T Pritchard performance criteria</b>	2018	Nil%	Nil%	Nil%	100%	265,000 <sup>C</sup> performance rights and 850,000 options
	2017	N/A	N/A	N/A	N/A	N/A

A. The performance rights relate to both STI and LTI. The LTI component of 1,060,237 performance rights lapsed on 1 July 2018.

B. The performance rights relate to LTI. On 1 July 2017 these performance rights lapsed.

C. The performance rights relate to LTI. On 1 July 2018 these performance rights lapsed.

D. The performance rights vested upon the resignation of Mr. Baker and were exercised within 30 days in accordance with the terms of the Performance Rights Plan.

# Remuneration Report (audited)

## (f) Other Information

Movement during period

	Balance 01-07-17	Granted as Compensation	Number Exercised	Net Change Other	Balance 30-06-18
<b>Year ended 30 June 2018</b>					
Options					
D Rathbone	3,000,000	-	-	-	3,000,000
M Morgan	1,175,000	-	-	-	1,175,000
W Baum	800,000	-	-	-	800,000
A Baker	-	-	-	-	-
J Hetzel	1,950,000	-	(250,000)	(500,000)	1,200,000
K Richards	1,500,000	-	(1,500,000)	-	-
J Lowry	-	1,000,000	-	-	1,000,000
T Pritchard	-	850,000	-	-	850,000
<b>Sub-Total</b>	<b>8,425,000</b>	<b>1,850,000</b>	<b>(1,750,000)</b>	<b>(500,000)</b>	<b>8,025,000</b>
<b>Performance Rights</b>					
K Richards	1,686,870	1,255,056	-	(909,090)	2,032,836
A Baker	1,292,207	102,843	(667,778)	(727,272)	-
T Pritchard	-	265,060	-	-	265,060
<b>Sub-Total</b>	<b>2,979,077</b>	<b>1,622,959</b>	<b>(667,778)</b>	<b>(1,636,362)</b>	<b>2,297,896</b>
<b>Total</b>	<b>11,404,077</b>	<b>3,472,959</b>	<b>(2,417,778)</b>	<b>(2,136,362)</b>	<b>10,322,896</b>

	Balance 01-07-16	Granted as Compensation	Number Exercised	Net Change Other	Balance 30-06-17
<b>Year ended 30 June 2017</b>					
Options					
D Rathbone	-	3,000,000	-	-	3,000,000
M Morgan	375,000	800,000	-	-	1,175,000
W Baum	-	800,000	-	-	800,000
A Baker	800,000	-	(800,000)	-	-
J Hetzel	750,000	1,200,000	-	-	1,950,000
K Richards	1,500,000	-	-	-	1,500,000
C Wilson	375,000	-	-	-	375,000
<b>Sub-Total</b>	<b>3,800,000</b>	<b>5,800,000</b>	<b>(800,000)</b>	<b>-</b>	<b>8,800,000</b>
<b>Performance Rights</b>					
K Richard	1,444,447	909,090	-	(666,667)	1,686,870
A Baker	533,333	1,292,208	-	(533,334)	1,292,207
<b>Sub-Total</b>	<b>1,977,780</b>	<b>2,201,298</b>	<b>-</b>	<b>(1,200,001)</b>	<b>2,979,077</b>
<b>Total</b>	<b>5,777,780</b>	<b>8,001,298</b>	<b>(800,000)</b>	<b>(1,200,001)</b>	<b>11,779,077</b>



# Remuneration Report (audited)

Number held at balance date

	Balance 30-06-18	Total Vested 30-06-18	Total Exercisable 30-06-18	Net change other or forfeited	Total Un-Exercisable 30-06-18
<b>Year ended 30 June 2018</b>					
Options					
M Morgan	1,175,000	1,175,000	1,175,000	-	-
D Rathbone	3,000,000	3,000,000	3,000,000	-	-
W Baum	800,000	800,000	800,000	-	-
J Hetzel	1,200,000	1,200,000	1,200,000	-	-
K Richards	-	-	-	-	-
J Lowry	1,000,000	-	-	-	1,000,000
T Pritchard	850,000	-	-	-	850,000
<b>Sub-Total</b>	<b>8,025,000</b>	<b>6,175,000</b>	<b>6,175,000</b>	<b>-</b>	<b>1,850,000</b>
Performance Rights					
K Richards	2,032,836	777,780	777,780	-	1,255,056
T Pritchard	265,060	-	-	-	265,060
<b>Sub-Total</b>	<b>2,297,896</b>	<b>777,780</b>	<b>777,780</b>	<b>-</b>	<b>1,520,116</b>
<b>Total</b>	<b>10,322,896</b>	<b>6,952,780</b>	<b>6,952,780</b>	<b>-</b>	<b>3,370,116</b>

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
<b>Year ended 30 June 2017</b>					
Options					
M Morgan	1,175,000	1,175,000	1,175,000	-	-
D Rathbone	3,000,000	3,000,000	3,000,000	-	-
W Baum	-	800,000	-	-	800,000
J Hetzel	1,950,000	1,950,000	1,950,000	-	-
K Richards	1,500,000	1,500,000	1,500,000	-	-
C Wilson	375,000	375,000	375,000	-	-
<b>Sub-Total</b>	<b>8,800,000</b>	<b>8,000,000</b>	<b>8,000,000</b>	<b>-</b>	<b>800,000</b>
Performance Rights					
K Richards	1,686,870	333,333	333,333	(1,444,447)	-
A Baker	1,292,207	-	-	(533,333)	-
<b>Sub-Total</b>	<b>2,979,077</b>	<b>333,333</b>	<b>333,333</b>	<b>(1,977,780)</b>	<b>-</b>
<b>Total</b>	<b>11,779,077</b>	<b>8,333,333</b>	<b>8,333,333</b>	<b>(1,977,780)</b>	<b>800,000</b>

# Remuneration Report (audited)

## Shares held by Key Management Personnel

The number of ordinary shares in the Company during the 2018 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out below:

	Balance 01-07-17	Shares issued in lieu of cash remuneration foregone	Received on Exercise	Other Changes	Held at 30/06/18
M Morgan	1,321,098	-	-	132,108	1,453,206
D Rathbone	834,484	-	-	668,965	1,503,449
W Baum	-	-	-	-	-
J Hetzel	4,079,930	-	250,000	132,993	4,462,923
A Baker	2,879,062	-	667,778	-	3,546,840
K Richards	13,024,726	-	1,500,000	1,577,193	16,101,919
J Lowry	-	-	-	806,374	806,374
T Pritchard	-	-	-	-	-
<b>Total</b>	<b>22,139,300</b>	<b>-</b>	<b>2,417,778</b>	<b>3,317,633</b>	<b>27,874,711</b>

## 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
<b>22 May 2018</b>	22 May 2023	\$0.15	2,650,000 options
<b>22 May 2018</b>	19 March 2023	\$0.15	1,000,000 options
<b>1 December 2017</b>	1 December 2022	\$nil	575,344 rights <sup>A</sup>
<b>27 November 2017</b>	27 November 2022	\$nil	1,864,693 rights <sup>B</sup>
<b>16 June 2017</b>	3 July 2022	\$0.22	800,000 options
<b>23 December 2016</b>	23 December 2021	\$0.22	2,000,000 options
<b>23 December 2016</b>	23 December 2021	\$0.145	3,000,000 options
<b>1 December 2016</b>	1 December 2021	\$nil	31,818 rights
<b>1 August 2016</b>	1 August 2021	\$0.1375	1,557,052 options <sup>C</sup>
<b>11 January 2016</b>	11 January 2021	\$nil	869,608 rights
<b>3 September 2014</b>	3 September 2018	\$0.10	375,000 options

A. At 1 July 2018 these rights lapsed.

B. At 1 July 2018, 194,819 of these rights vested and 1,669,874 of these rights lapsed.

C. At the reporting date 1,038,035 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 2,125,000 ordinary shares as a result of the exercise of December 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 willful 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:

	2018 \$	2017 \$
Audit and review of financial statements - Grant Thornton	52,493	55,133
Total audit and review remuneration	52,493	55,133
Taxation compliance services – Grant Thornton	5,500	8,275
Total taxation compliance services	5,500	6,275
Total auditor's remuneration	57,993	63,408

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is included on page 25 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.



**Doug Rathbone**  
Chairman  
Brisbane, Queensland, Australia  
31 August 2018



**Ken Richards**  
Managing director  
Brisbane, Queensland, Australia  
31 August 2018

## 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 2018, 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 Audit Pty Ltd  
Chartered Accountants



M S Bell  
Partner - Audit & Assurance

Brisbane, 31 August 2018

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Grant Thornton Audit Pty Ltd ACN 130 913 594  
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Leaf Resources Limited

# Financial Report 2018



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Financial year ended 30 June 2018:

	Notes	2018 \$	2017 \$
Other income	6	958,207	881,967
Mining lease expenses		(5,308)	(50,117)
Depreciation, amortisation and impairment	7	(8,578)	(576,040)
Employee benefits expense	7	(1,070,658)	(1,350,400)
Directors' & officers' fees & CEO		(730,092)	(1,096,093)
Business operation		(156,000)	(103,185)
Finance expense		9,801	(42,660)
Professional fees		(124,486)	(230,819)
Investor relations & corporate advisory		(307,943)	(389,303)
Travel and accommodation		(277,197)	(344,313)
Research and development		(1,330,574)	(1,185,843)
Patent and licence fees		(26,152)	(218,044)
Share of loss of equity accounted associate		(1,247,096)	(2,300,977)
Other expenses		(69,896)	(213,688)
<b>Loss before income tax</b>		<b>(4,385,972)</b>	<b>(7,219,515)</b>
Income tax expense		-	-
<b>Loss for the year from continuing operations</b>		<b>(4,385,972)</b>	<b>(7,219,515)</b>
Loss from discontinued operations		-	-
<b>Loss for the year</b>		<b>(4,385,972)</b>	<b>(7,219,515)</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		(8,238)	(48,953)
Income tax on items that may be reclassified to profit or loss	8	-	-
<b>Other comprehensive income for the year, net of tax</b>		<b>(8,238)</b>	<b>(48,953)</b>
<b>Total comprehensive loss for the year</b>		<b>(4,394,210)</b>	<b>(7,268,468)</b>

<b>Earnings Per Share from Continuing Operations</b>			
Basic loss per share (cents)	11	(2.01)	(4.32)
Diluted loss per share (cents)	11	(2.01)	(4.32)

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



# Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	2018 \$	2017 \$
<b>Current Assets</b>			
Cash and cash equivalents	12, 24(a)	558,052	573,727
Trade and other receivables	13	1,015,697	730,229
<b>Total Current Assets</b>		<b>1,573,749</b>	<b>1,303,956</b>
<b>Non-Current Assets</b>			
Investments accounted for using the equity method	14	368,462	86,243
Property, plant and equipment	15	811,574	37,004
Other financial assets	16	-	-
Intangible assets	17	-	-
<b>Total Non-Current Assets</b>		<b>1,180,036</b>	<b>123,247</b>
<b>Total Assets</b>		<b>2,753,785</b>	<b>1,427,203</b>
<b>Current Liabilities</b>			
Trade and other payables	18	1,178,515	349,514
Employee benefits	19	120,693	141,366
Provisions	20	50,000	50,000
<b>Total Current Liabilities</b>		<b>1,349,208</b>	<b>540,880</b>
<b>Non-Current Liabilities</b>			
Employee benefits	19	34,390	24,762
<b>Total Non-Current Liabilities</b>		<b>34,390</b>	<b>24,762</b>
<b>Total Liabilities</b>		<b>1,383,598</b>	<b>565,642</b>
<b>Net Assets</b>		<b>1,370,187</b>	<b>861,561</b>
<b>Equity</b>			
Issued capital	21	51,128,441	46,360,004
Reserves	22	1,163,367	1,045,146
Accumulated losses	23	(50,921,621)	(46,543,589)
<b>Total Equity</b>		<b>1,370,187</b>	<b>861,561</b>

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 2018

Attributable to equity holders of the parent				
	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total Equity \$
<b>Balance at 1 July 2016</b>	<b>40,826,866</b>	<b>(39,324,074)</b>	<b>270,617</b>	<b>1,773,409</b>
Loss for the year ended 30 June 2017	-	(7,219,515)	-	(7,219,515)
Other comprehensive income	-	-	(48,953)	(48,953)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(7,219,515)</b>	<b>(48,953)</b>	<b>(7,268,468)</b>
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
<b>Balance at 30 June 2017</b>	<b>46,360,004</b>	<b>(46,543,589)</b>	<b>1,045,146</b>	<b>861,561</b>
<b>Balance at 1 July 2017</b>	<b>46,360,004</b>	<b>(46,543,589)</b>	<b>1,045,146</b>	<b>861,561</b>
Loss for the year ended 30 June 2018	-	(4,385,972)	-	(4,390,130)
Other comprehensive income	-	-	(8,238)	(8,238)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(4,385,972)</b>	<b>(8,238)</b>	<b>(4,394,210)</b>
Transactions with owners in their capacity as owners				
<b>Shares issued</b>				
Shares issued	4,912,383	-	-	4,912,383
Share issue transactions costs	(143,946)	-	-	(143,946)
Share based payments	-	7,940	126,459	134,399
<b>As at 30 June 2018</b>	<b>51,128,441</b>	<b>(50,921,621)</b>	<b>1,168,367</b>	<b>1,370,187</b>

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

# Consolidated Statement of Cash Flows

As at 30 June 2018

	Notes	2018 \$	2017 \$
<b>Operating Activities</b>			
Receipts from customers		2,990	27,500
Payments to suppliers & employees		(3,346,343)	(4,096,632)
Interest received		6,494	4,315
R&D tax incentive refund		645,813	591,966
<b>Net cash from operating activities</b>	<b>24(b)</b>	<b>(2,691,046)</b>	<b>(3,472,851)</b>
<b>Investing activities</b>			
Payments for investment in equity accounted joint venture		(1,537,554)	(1,735,042)
<b>Purchase of property, plant and equipment</b>		<b>(521,494)</b>	<b>(26,603)</b>
<b>Net used in investing activities</b>		<b>(2,059,048)</b>	<b>(1,761,645)</b>
<b>Financing activities</b>			
Proceeds from issue of share capital		4,878,365	5,086,388
Share issue transaction costs		(143,946)	(323,716)
<b>Net cash from / (used in) financing activities</b>		<b>4,734,419</b>	<b>4,762,672</b>
Net (decrease)/increase in cash and cash equivalents		(15,675)	(471,824)
Cash and cash equivalents at the beginning of the financial year		573,727	1,045,551
<b>Cash and cash equivalents at the end of the financial year</b>	<b>24 (a)</b>	<b>558,052</b>	<b>573,727</b>

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 Limited and Subsidiaries' (the Group) principal activities include the commercial development of the Group's Glycell™ 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.

## 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 2018 were approved and authorised for issue by the Board of Directors on 31 August 2018.

## 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.

The Group has significantly progressed the commercialisation objectives for its proprietary technology and is ready to pursue these objectives on a global scale. The commercialisation of the technology through the Claeris transaction will require funds to be raised to progress to full commercialisation. This requirement for funds is dependent upon Claeris reaching agreed milestones in the development of projects and will increase as projects become more defined and closer to realisation. Management understands that its current commitment to fund the ongoing commercialisation objectives and to continue as a going concern requires funds to be raised as each set of milestones is passed and the projects get closer to commercialisation. Since the end of the reporting period, the Company has conducted a placement of shares at an issue price of \$0.075 per share that raised \$5,000,000.

The Directors have a reasonable expectation that they will be able to raise further 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. 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 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses**

AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

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

The Directors of the Company have considered the impact of AASB 2016-1 and concluded that the adoption of these amendments has not had a material impact on the Group.

## **AASB2016-2 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 Directors of the Company have considered the impact of AASB 2016-2 and concluded that the adoption of these amendments has not had a material impact on the Group.

### **(b) Accounting Standards issued but 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 and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

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.

AASB 16:

- replaces AASB 117 Leases and some lease-related interpretations
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- 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.

## **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 2018. 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 3 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 AQL 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 into \$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 has 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 operating segment 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 operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

## **(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 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.

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.

## **(I) 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

All 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.

The investment has been recorded at fair value. The investment has not produced any gains or losses to be recognised in other comprehensive income except for impairment losses which have been recognised in profit or loss. The Directors have determined that the fair value of the investment in ZeaChem Inc. at reporting date is \$Nil, although the Group still holds contractual rights to the cash flows from the investment.

During the 2017 financial year the ZeaChem board 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 of this amount was recognised during the year ended 30 June 2017.

#### **(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.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

#### **(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).

### **(u) 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 (v), 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.

### **(v) 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.

### **(w) 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.

### **(x) 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.

## **R&D Tax Incentive**

Management, together with external consultants have determined that the Group expects to receive a R&D tax incentive refund of \$941,191 in respect of eligible expenditure incurred during the current reporting period.

## **Impairment allowance for receivables**

No allowance for impairment has been made, management are not aware of any debt which it considers requires impairment.

## **(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. Other Income

	Notes	2018 \$	2017 \$
R&D tax incentive		941,191	695,672
Export Market Development Grant		-	110,955
Interest income		6,494	4,315
Other		10,522	71,025
		<b>958,207</b>	<b>881,967</b>

## 7. Expenses

	Notes	2018 \$	2017 \$
<b>Depreciation, amortisation and impairment expense</b>			
Depreciation of property, plant and equipment	15	8,578	8,353
Impairment of investment in Zeachem		-	567,687
		<b>8,578</b>	<b>576,040</b>

<b>Employee Benefits Expense</b>			
Salaries, wages & bonus		699,328	834,765
Superannuation		53,894	61,355
Share based payments		83,384	229,593
Other employee benefits		234,052	224,687
		<b>1,070,658</b>	<b>1,350,400</b>

<b>Rental expense relating to operating leases</b>			
Minimum lease payments		68,587	25,260
<b>Net foreign exchange differences</b>		<b>23,289</b>	<b>(22,084)</b>

## 8. 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:

	Notes	2018 \$	2017 \$
Loss before income tax		(4,385,972)	(7,219,515)
Income tax at 30% (2017: 30%)		(1,315,792)	(2,165,855)
Loss relating to foreign subsidiary		374,129	691,167
Expenditure not allowable for income tax purposes		212,904	437,227
Temporary differences (deferred tax)		(323,348)	(181,215)
Unrecognised/ (recognised) tax losses		403,010	773,288
Expenditure incurred in relation to R&D tax incentive		649,097	445,388
Adjustment in respect of prior year's R&D tax incentive		-	(49,859)
Actual income tax benefit		-	-
<b>Income tax refund comprises:</b>		-	-
Current tax expense (income)		-	-
Deferred tax expense (income)		-	-
<b>Income tax benefit</b>		<b>-</b>	<b>-</b>

## Losses

At 30 June 2018, the Group has carry forward tax losses of approximately \$22.0 million not brought to account (2017 \$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	2018 \$	2017 \$
<i>Deferred tax assets</i>		
Provisions	61,525	64,839
Borrowing costs	-	-
Accrued expenses	-	-
Share capital costs	115,954	126,816
Patents	95,160	92,961
Legal fees	6,488	6,869
Property, plant and equipment	1,613	1,458
Shares	-	726,750
Tax losses	6,867,168	6,532,279
<i>Deferred tax liabilities</i>		
Accrued income	-	(193,745)
<b>Total deferred tax assets</b>	<b>7,147,908</b>	<b>7,358,227</b>

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.

## 9. Auditor remuneration

	2018 \$	2017 \$
Audit and review of financial statement Grant Thornton	52,493	55,133
Taxation compliance services Grant Thornton	5,500	8,275
<b>Total auditor's remuneration</b>	<b>57,993</b>	<b>63,408</b>

## 10. Remuneration of key management personnel

Key management personnel compensation:

	2018 \$	2017 \$
Short-term employee benefits	919,808	715,574
Post-employment benefits	57,210	61,528
Long-term benefits	-	-
Termination benefits	-	-
Share based payments*	81,580	657,630
	1,058,598	1,434,732

\* Detailed remuneration disclosures are provided in the remuneration report.

## 11. 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	2018 \$	2017 \$
Loss attributable to the parent entity used in the calculation of basic and dilutive EPS	(4,385,972)	(7,219,515)
Loss attributable to the parent entity	(4,385,972)	(7,219,515)
Weighted average number of ordinary shares	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	218,625,131	146,365,071
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per shares	218,625,131	146,365,071

## Calculation of dilutive EPS

As at 30 June 2018 there were:

- 6,694,017 unlisted options and 1,145,747 unlisted performance rights on issue which have vested; and
- 3,650,000 unlisted options and 2,245,218 performance rights on issue which have not yet vested.

On 1 July 2018, 2,245,218 of the unlisted performance rights lapsed due to performance conditions not being met.

The 6,694,017 unlisted options and 1,145,747 unlisted performance rights that have vested were excluded from the calculation of diluted earnings per share due to group being in a loss position.

As at 30 June 2017, there were 21,290,298 unlisted options on issue which had vested and were excluded from the calculation of diluted earnings per share due to the group being in a loss position.

## 12. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2018 \$	2017 \$
Cash at bank and in hand		
Cash held in \$AUD	497,320	393,321
Cash held in \$USD (converted to \$AUD)	6,540	97,807
Cash held in EURO (converted to \$AUD)	54,192	82,599
<b>Cash and cash equivalents</b>	<b>558,052</b>	<b>573,727</b>

## 13. Trade and other receivables

Cash and cash equivalents include the following components:

	2018 \$	2017 \$
Trade receivables	21,850	23,693
Impairment allowance	-	-
<b>Net trade receivables</b>	<b>21,850</b>	<b>23,693</b>
Other debtors	-	-
GST receivable	<b>22,745</b>	<b>30,365</b>
Prepayments	21,765	22,212
Deposit landlord	6,050	6,050
Accrued income	2,096	2,096
R&D tax incentive refundable	941,191	645,813
<b>Total Trade and other receivables</b>	<b>1,015,697</b>	<b>730,229</b>



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 2018

	Current	> 30 days	> 60 days	> 90 days
Trade receivables	\$2,990	\$nil	\$nil	\$18,860

#### 14. Investments accounted for using the equity method

	2018 \$	2017 \$
Investment in joint venture	369,886	86,243

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 2018	30 June 2017
Leaf Development, LLC	USA	To develop up to 5 biorefinery plants	80%	59.94%

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

	2018 \$	2017 \$
Current assets	118,269	49,621
Non-Current assets	338,576	94,261
<b>Total Assets</b>	<b>456,845</b>	<b>143,882</b>
Current Liabilities	-	-
Non-Current Liabilities	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>
Revenue	-	-
Loss for the year	(929,857)	(2,290,476)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(929,857)	(2,290,476)
Depreciation and amortisation	-	-
Interest Income	-	-
Interest Expenses	-	-
Total expense	-	-

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

	2018 \$	2017 \$
Total net assets of Leaf Development, LLC	456,845	143,882
Proportion of ownership interests held by the Group	80%	59.94%
Add back amounts paid directly by the Parent Company	2,986	-
Carrying amount of the investment in Leaf Development, LLC	368,462	86,243

Under the terms of the Company Agreement for Leaf Development LLC Leaf Resources USA, a wholly owned subsidiary of Leaf Resources Limited, has a further commitment of approximately \$4-\$5 million USD to Leaf Development LLC. However this commitment is subject to Leaf Development LLC achieving specified milestones and no liability exists until these milestones are achieved. In addition some \$4m of this cost is for a FEL3 engineering package. Leaf is looking at a number of alternative strategies for the FEL3 funding aside from equity, including: Incorporating the funding requirement into an EPC package and making the payment from future project funding, utilising trade facilities as part of a funding package, support from third parties for the project, government and private.

## 15. Property, plant and equipment

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

	2018 \$	2017 \$
Plant and equipment		
Cost	827,233	51,609
Accumulated depreciation	(15,659)	(14,605)
<b>Total property, plant and equipment</b>	<b>811,574</b>	<b>37,004</b>

### Movements in carrying amounts for each class of property, plant and equipment

	2018 \$	2017 \$
<b><i>Plant and equipment</i></b>		
Opening written down value	11,736	9,889
Additions	2,570	7,893
Disposals	(1,924)	(245)
Depreciation	(5,505)	(5,801)
Closing written down value, plant & equipment	6,877	11,736
<b><i>Leasehold improvements</i></b>		
Opening written down value	4,783	15,596
Additions	-	-
Disposals	(1,452)	(9,686)
Depreciation	(463)	(1,127)
Closing written down value, leasehold improvements	2,868	4,783
<b><i>Laboratory equipment</i></b>		
Opening written down value	20,485	3,200
Additions	7,340	18,710
Disposals	-	-
Depreciation	(2,610)	(1,425)
<b><i>Closing written down value, laboratory equipment</i></b>	<b>25,215</b>	<b>20,485</b>
<b><i>Work in Progress</i></b>		
Additions	776,614	-
Disposals	-	-
Closing value, work in progress	776,614	-
<b>Total property, plant and equipment</b>	<b>811,574</b>	<b>37,004</b>

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

Work in progress represents expenditure to date on a Coupled Loop Simulated Moving Bed Separator to be used for the Integrated Design Study at Delft in the Netherlands. The total cost of the unit is \$785,000 USD. Expenditure to date represents the \$AUD equivalent for 75% of the full payment.

## 16. Other financial assets

	2018 \$	2017 \$
Available for sale financial asset	567,687	567,687
Less impairment	(567,687)	(567,687)
<b>Total other financial assets</b>	<b>-</b>	<b>-</b>

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. During the 2017 financial year the ZeaChem board 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 of this amount was recognised during the year ended 30 June 2017.

## 17. 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.

Leaf Research Pty Ltd, a wholly owned subsidiary of Leaf Resources, has previously filed the following patent application:

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.

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, Indonesia, South Africa.

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.

## 18. Trade and other payables

Trade and other payables consist of the following:

	2018 \$	2017 \$
Trade payables	424,446	165,650
Accruals	703,104	140,243
Other payables	50,965	43,621
<b>Total trade and other payables</b>	<b>1,178,515</b>	<b>349,514</b>



## 19. Employee benefits

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

	2018 \$	2017 \$
<b>Current</b>		
Leave entitlements	120,693	141,366
Accrued directors' salaries	-	-
<b>Total employee benefits</b>	<b>120,693</b>	<b>141,366</b>
<b>Non-Current</b>		
Leave entitlements	34,390	24,762
Total non-current employee benefits	34,390	24,762
<b>Total employee benefits</b>	<b>155,083</b>	<b>166,128</b>

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 2019. 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 25 for share-based payment information.

## 20. Provisions

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

	2018 \$	2017 \$
Carrying amount opening	50,000	125,000
Additional provision	-	50,000
Amount utilised	-	(125,000)
Reversal	-	-
<b>Carrying amount closing</b>	<b>50,000</b>	<b>50,000</b>

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.

## 21. 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.

	2018 Number	2018 \$	2017 Number	2017 \$
<b>Movements in ordinary share capital</b>				
Balance at beginning of financial year	184,357	46,360,004	142,749,760	40,826,866
Net share issue	51,843,331	4,524,348	34,326,234	4,760,500
Net issue under share based payments	667,778	Nil	5,981,239	755,695
Exercised / expired employee options	2,125,000	244,089	1,300,000	16,943
<b>Total contributed equity</b>	<b>238,993,342</b>	<b>51,128,441</b>	<b>184,357,3233</b>	<b>46,360,004</b>

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 Glycell™ process.

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

In December 2017 Directors exercised 125,000 unlisted options at an exercise price of \$0.10 per option.

In December 2017 an employee exercised 667,778 performance rights which had been granted as part of an incentive scheme.

## 22. Reserves

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

	Note	2018 \$	2017 \$
<b>Employee equity-settled benefits reserve</b>			
Balance at beginning of the financial year		935,921	270,617
Cost of share-based payment		130,587	682,247
Value of exercised & expired options under ESOP		(41,958)	(16,943)
Balance at the end of the financial year		1,024,550	935,921
<b>Share based payments reserve</b>			
Balance at beginning of the financial year		158,178	-
Cost of share-based payment		37,830	158,178
Balance at the end of the financial year		196,008	158,178
<b>Foreign Currency Translation Reserve</b>			
Balance at beginning of the financial year		(48,953)	-
Currency gains recognised on translation of foreign subsidiary's operations		(8,238)	(48,953)
Balance at the end of the financial year		(57,191)	(48,953)
<b>Total reserves</b>		<b>1,163,367</b>	<b>1,045,146</b>

This 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 25 Share Based Payments for further details of these plans.

## 23. Accumulated losses

	2018 \$	2017 \$
Opening balance at the beginning of the financial year	(46,543,589)	(39,324,074)
Loss for the year	(4,385,972)	(7,219,515)
Cost of share based payments	7,940	-
<b>Closing balance at the end of the financial year</b>	<b>(50,921,621)</b>	<b>(46,543,589)</b>

## 24. 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:

	2018 \$	2017 \$
<b>Cash and cash equivalents</b>	<b>558,052</b>	<b>573,727</b>

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

	2018 \$	2017 \$
<b>Net loss for the period</b>	<b>(4,385,972)</b>	<b>(7,219,515)</b>
Adjustments for:		
Depreciation	8,578	8,353
Share based payments	168,415	920,950
Profit on sale of equipment included in investing activities	3,379	9,929
Share of loss of equity accounted investment	833,077	2,300,977
Impairment of Zeachem investment	414,019	567,687
Licence fee	-	(47,535)
<b>Net changes in working capital:</b>		
Change in trade and other receivables	(285,469)	(23,528)
Change in trade and other payables	563,972	36,425
Change in employee benefits	(11,045)	48,406
Change in provisions	-	(75,000)
<b>Net cash used in operating activities</b>	<b>(2,691,046)</b>	<b>(3,472,851)</b>

### 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 25 below.



## 25. 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:

	2018 \$	2017 \$
Shares issued to employees	-	-
Shares issued to directors	-	58,936
Employee share option plan – employees	9,790	33,687
Employee share option plan – directors and officers	-	409,317
Employee performance rights plan	120,795	239,244
<b>Subtotal</b>	<b>130,585</b>	<b>741,184</b>
Shares issued to suppliers	-	103,712
Options issued to joint venture partner	37,830	76,054
<b>Total</b>	<b>168,415</b>	<b>920,950</b>

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 issued 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.

### Employee share option plan (ESOP)

At 30 June 2018 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 date of grant 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 of \$6,805 is in respect of unlisted 28 October 2015 options and \$2,985 is in respect of unlisted 22 May 2018 options.

### Director Options

No Director options were issued during the reporting period.

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

	Options
Recipient	Employees
Valuation Date	22-05-2018
Valuation Method	Hoadley
Value	\$81,715
Number	3,650,000
Share Price at Valuation	\$0.07
Exercise Price	\$0.15
Volatility	57%
Risk Free Rate	2.87%
Share Price Target	N/A
Exercise Multiple	N/A
Assumed Employee Exit Rate	N/A
Trinomial Steps	N/A
Term in Years	5
Earliest Vesting Date	19-03-2019
Number of Vesting Tranches	3
Value per Share or Right	\$0.022

### 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 of 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 November and December 2017, the following performance rights were granted:

**Rights granted as a short-term incentive to staff in lieu of a bonus**

CEO	194,819
Other employees	102,843
	<b>297,662</b>

**Rights granted as a long-term incentive to staff**

CEO	1,060,237
Other employees	1,184,981
	<b>2,245,218</b>

**Total number of performance rights granted 2,542,880**

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

	<b>Rights</b>	<b>Rights</b>	<b>Rights</b>	<b>Rights</b>	<b>Rights</b>
Recipient	Managing Director	Employee	Managing Director	Employees	Employees
Valuation Date	27-11-17	27-11-17	27-11-17	27-11-17	01-12-17
Valuation Method	Trinomial	Trinomial	Trinomial	Trinomial	Trinomial
Value	\$16,949	\$8,947	\$9,029	\$5,192	\$12,841
Number	194,819	102,843	1,060,237	609,637	575,344
Share Price at Valuation	\$0.09	\$0.09	\$0.087	\$0.087	\$0.084
Exercise Price	\$nil	\$nil	\$nil	\$nil	\$nil
Volatility	51%	51%	51%	51%	88%
Risk Free Rate	1.92%	1.92%	1.92%	1.92%	1.92%
Share Price Target – 100%	N/A	N/A	\$0.19	\$0.19	\$0.19
Share Price Target – 50%	N/A	N/A	\$0.14	\$0.14	\$0.14
Exercise Multiple	N/A	N/A	2	2	2
Assumed employee Exit Rate	N/A	N/A	0%	0%	0%
Trinomial Steps	200	200	100	100	100
Terms in Years	5	5	5	5	5
Earliest Vesting Date	30-06-2018	27-11-2017	01-07-2018	01-07-2018	01-07-2018
Number of Vesting Tranches	1	1	3	3	3
Value per Share or Right	\$0.087	\$0.087	\$0.0085	\$0.0085	\$0.022

During the reporting period \$40,285 was expensed in relation to performance rights granted during the year ended 30 June 2018 and \$80,510 expensed in relation to performance rights issued in a prior period.

**Rights granted as a short-term incentive to staff:**

- the performance condition in relation to the rights granted as a short-term incentive to staff was continued employment with Leaf Resources Limited up to and including 30 June 2018 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 granted to the CEO and subsequently 194,819 646,255 performance rights vested on 1 July 2017;
- the performance rights granted to the Chief Operating Officer were exercised upon his resignation under the terms of the Performance Rights Plan,

**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 July 2017 VWAP of \$0.094 to June 2018 VWAP of two times the June 2017 VWAP i.e. \$0.19. Pro-rata entitlement would apply if the June 2018 VWAP was at least 1.5 times the June 2017 VWAP i.e. at or above \$0.14;
- if the performance condition was achieved, the rights would vest in three equal annual instalments on 1 July 2018, 2019 and 2020;



- the performance condition was not met and consequentially 2,245,218 performance rights lapsed on 1 July 2018
- the value of the share based payment recognised in the current year in respect of the 2,245,218 performance rights granted as a long-term incentive to staff is \$14,389;
- the performance rights were fair valued at \$27,062 on grant date using the Monte Carlo simulation method and will be expensed:
  - o \$14,389 in 2018 financial year
  - o \$9,180 in 2019 financial year
  - o \$3,493 in 2020 financial year

### Outstanding performance rights

The outstanding balance of performance rights as at 30 June 2018 is represented below.

Grant Date	Expiry Date	Exercise Price	Share options 2018	Share options 2017
1 December 2017	1 December 2022	\$Nil	575,344	-
27 November 2017	27 November 2022	\$Nil	1,864,693	-
1 December 2016	1 December 2021	\$Nil	81,320	3,504,908
11 January 2016	11 January 2021	\$Nil	869,608	869,608
<b>Total</b>			<b>3,390,965</b>	<b>4,374,516</b>

### 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 2018	WAEP \$ 2018	Number of options 2017	WAEP \$ 2017
Outstanding at the beginning of the year	22,477,742	0.173	5,300,000	0.100
Granted during the year	3,650,000	0.150	18,477,742	0.189
Expired during the year	(12,620,690)	0.188	-	n/a
Exercised during the year	(2,125,000)	0.100	(1,300,000)	0.100
<b>Outstanding at the end of the year</b>	<b>11,382,052</b>	<b>0.163</b>	<b>22,477,742</b>	<b>0.173</b>

There were 1,038,035 options that were issued but not vested at 30 June 2018 (2,057,052 unvested at 30 June 2017).

### Outstanding options

The outstanding balance of options as at 30 June 2018 is represented below.

Grant Date	Expiry Date	Exercise Price	Share options 2018	Share options 2017
17 December 2013	3 September 2018	\$0.10	-	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 August 2016	1 August 2021	\$0.1375	1,557,052	1,557,052
23 December 2016	23 December 2021	\$0.145	3,000,000	3,000,000
23 December 2016	23 December 2022	\$0.22	2,000,000	2,000,000
2 February 2017	15 March 2018	\$0.20	-	11,120,690
16 June 2017	3 July 2022	\$0.22	800,000	800,000
22 May 2018	19 March 2023	\$0.15	1,000,000	-
22 May 2018	22 May 2023	\$0.15	2,650,000	-
<b>Total</b>			<b>11,382,052</b>	<b>22,477,742</b>
The weighted average remaining life of the options outstanding at year end.			<b>3.97 years</b>	<b>2.11 years</b>

### 26. Events subsequent to reporting date

Since 30 June 2018 the following matters have arisen which may significantly affect the operations of the Group:

- a placement to sophisticated investors raised a total of \$5m before costs;
- Petronas Chemicals Group Berhad entered into a non-binding Memorandum of Understanding in relation to Leaf's proposed biorefinery project in Malaysia.

## 27. 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 31.

### *Key Management Personnel*

Disclosures relating to key management personnel are set out in Note 10 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.

## 28. Contingent assets and liabilities

The Group is eligible to claim the R&D tax incentive from the Australian Taxation Office for its research and development eligible expenditure. The Group's accrued income includes the estimated tax refund of \$941,191 to be received from this incentive for the Group's domestic and overseas spend for the year ended 30 June 2018. On 5 February 2015, Leaf Resources Limited was granted, in respect of its Biofuels Development Program, a Certificate for Advance Finding under s28A of the Industry Research and Development Act 1986 and a Certificate for Overseas Finding under s28C of the Industry Research and Development Act 1986. During the year the Group undertook trials of its Glycell™ process in the United States and in Europe and incurred overseas research costs.

## 29. 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 meeting 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	
	2018 %	2017 %	2018 \$	2017 \$
<b>Financial assets:</b>				
Cash and cash equivalents	0.52	0.40	558,052	573,727
Receivables	-	-	1,015,697	730,229
<b>Total financial assets</b>			<b>1,573,749</b>	<b>1,303,956</b>
<b>Financial liabilities:</b>				
Trade payables and accruals	-	-	1,178,515	349,514
<b>Total financial liabilities</b>			<b>1,178,515</b>	<b>349,514</b>

### Interest rate sensitivity

At 30 June 2018, 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 2018	4,924	2,387	4,924	2,387
30 June 2017	3,922	2,323	3,922	2,323

### 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 2018 had a combined value of AUD\$60,731.

### 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 13.

		Within 1 year	
	Note	2018 \$	2017 \$
<b>Financial assets:</b>			
Cash and cash equivalents	12, 24a	558,052	573,727
Receivables		1,015,697	730,229
<b>Total financial assets</b>		<b>1,573,749</b>	<b>1,303,956</b>
<b>Financial liabilities:</b>			
Trade payables and accruals	18	1,178,515	349,514
<b>Total financial liabilities</b>		<b>1,178,515</b>	<b>349,514</b>

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

	2018 \$	2017 \$
Less than 6 months	1,178,515	349,514
6 months to 1 year	-	-
<b>Total</b>	<b>1,178,515</b>	<b>349,514</b>

### 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.

## 30. Leasing commitments and contingent liabilities

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

	2018 \$	2017 \$
Operating lease commitments		
Within one year	25,835	58,891
Later than one year but not later than five years	-	-
Later than five years	-	-

## 31. 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 interest	
				2018 %	2017 %
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



Name unlisted:	Principal activities	Country of incorporation	Class of shares	Ownership interest	
Subsidiaries of Leaf Resources USA, LLC					
Leaf Development LLC	Investment Company	USA	Ord	80	60
Subsidiaries of Leaf Development LLC					
Leaf Malaysia OpCo Sdn. Bhd.	Investment Company	Malaysia	Ord	80	60

### 32. Parent entity financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Note	2018 \$	2017 \$
<b>Financial Position</b>			
Assets			
Current assets		1,535,360	1,368,529
Non-current assets	32(i)	1,192,715	1,968,903
<b>Total assets</b>		<b>2,728,075</b>	<b>3,337,433</b>

<b>Liabilities</b>			
Current liabilities		1,796,801	995,936
Non-current liabilities		34,390	24,762
<b>Total liabilities</b>		<b>1,831,191</b>	<b>1,020,698</b>

<b>Equity</b>			
Issued capital		51,452,115	46,360,004
Reserves		1,220,558	1,011,977
Retained losses		(51,452,115)	(45,055,247)
<b>Total equity</b>		<b>896,884</b>	<b>2,316,734</b>

<b>Financial Performance</b>			
Loss before income tax		(6,224,920)	(6,772,709)
Income tax expense		-	-
<b>Total comprehensive loss for the year</b>		<b>(6,224,920)</b>	<b>(6,772,709)</b>

<b>32(i) Non-current assets</b>			
Loans to subsidiaries		15,536	1,793,660
Investment in subsidiaries		365,605	138,238
Investment in Zeachem		-	-
Property, plant and equipment		811,574	37,005
		<b>1,192,715</b>	<b>1,968,903</b>

#### 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.

An impairment loss of \$2,557,832 was recognised by the parent entity in operating loss for the year ended 30 June 2018 to adjust for recoverability of loans to subsidiaries and for the carrying net asset value of Leaf Resources USA. This impairment loss reduced the carrying value of the line item investment in subsidiaries and loans to subsidiaries for the parent entity financial information but eliminates on consolidation.

- Loan to Farmacule Bioindustries Pty Ltd – impairment \$1,473,696
- Loan to Leaf Sciences Pty Ltd – impairment \$332,885
- Investment in Leaf Resources USA, LLC – impairment \$751,251

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 2018.

At 30 June 2018 the Company determined the fair value of the investment in ZeaChem to be \$Nil.

# Directors' Declaration

In accordance with a resolution of the Directors of Leaf Resources Limited, I state that:

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

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

(a) giving a true and fair view of its financial position as at 30 June 2018 and of its performance for the financial year ended on that date;

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(c) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2; and

(d) 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 2018.

On behalf of the Board,



**DOUGLAS J. RATHBONE**

Chairman

Brisbane, 31 August 2018

## 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 2018, 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 Company is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Company's financial position as at 30 June 2018 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 Company in accordance with the auditor 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.

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### Material uncertainty related to going concern

The Group incurred a net loss of \$4,394,210 during the year ended 30 June 2018, and incurred negative cashflows from operations of \$2,691,046. 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.

### 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.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<b>Equity accounted joint arrangement</b> <b>Note 5(c) and Note 14.</b>	
<p>The Group, through its subsidiary Leaf Resources USA LLC holds 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.</p> <p>The joint arrangement is a significant focus for the Group and is integral in the commercialisation of their technology.</p> <p>This area is a key audit matter due to the complexity of the joint arrangement and the significance of the transactions.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Reading the Amended and Restated Company Agreement to understand the key terms and conditions and discussing with management and the Directors the relevant changes</li> <li>• Performing targeted procedures to substantively test the existence and recoverability of significant assets and completeness and accuracy of liabilities as at year end;</li> <li>• Reviewing management's calculations for the Group's share of the loss for the period and share of net assets as at 30 June 2018; and</li> <li>• Assessing the adequacy of the Group's disclosures in respect of the joint arrangement.</li> </ul>

### 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 Company's annual report for the year ended 30 June 2018, 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 Company'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 Company or to cease operations, or have no realistic alternative but to do so.

### **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/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

### **Report on the remuneration report**

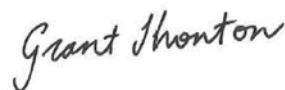
#### **Opinion on the remuneration report**

We have audited the Remuneration Report included in pages 15 to 23 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Leaf Resources Limited, for the year ended 30 June 2018 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 Audit Pty Ltd  
Chartered Accountants



M S Bell  
Partner - Audit & Assurance

Brisbane, 31 August 2018

# Shareholder Information

The ASX additional shareholder information set out below was applicable as at 30 June 2018.

## Distribution of Equity Security Holders

### Holding Distribution

Range	Number of equity holders security holders	
	Ordinary shares	Options
100,000 and over	229	12
10,001 to 100,000	367	-
5,001 to 10,000	128	-
1,001 to 5,000	214	-
1 to 1,000	409	-
<b>Total</b>	<b>1347</b>	<b>12</b>

### Quoted Equity Security Holders

The following table shows the largest 20 registered shareholders as at 30 June 2018.

	Name	Number of Ordinary Shares	% of Issued Shares
1	UBS Nominees Pty Ltd	13,916,543	5.85
2	Mr Russell Charles Wilson	10,685,197	4.47
3	Citicorp Nominees Pty Ltd	9,673,857	4.05
4	Growth Capital (WA) Pty Ltd	9,138,351	3.82
5	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd Drp	7,537,199	3.15
6	Yundie Holdings Pty Ltd	7,500,000	3.14
7	Jetan Pty Ltd	7,000,000	2.93
8	Brincliff Pty Ltd	6,618,965	2.77
9	Claeris HoldCo LLC	5,751,634	2.41
10	Mr Xuanjun Liu	5,124,738	2.14
11	Netwealth Investments Limited	4,494,703	1.88
12	Genetic Horizons Pty Ltd	4,462,923	1.87
13	J P Morgan Nominees Australia Limited	4,211,592	1.76
14	HSBC Custody Nominees (Australia) Limited	4,127,670	1.73
15	Allan Omacini Superannuation Fund Pty Ltd	3,667,435	1.53
16	Mr Alexander Bruce Baker & Ms Paula Phan	3,546,840	1.48
17	Keliri Pty Ltd	3,426,923	1.43
18	Bond Street Custodians Limited	3,340,841	1.40
19	Mr Russell Charles Wilson	3,300,000	1.38
20	Narrawallee Properties Pty Ltd	3,000,000	1.26

# Shareholder Information

## Unquoted Equity Securities - Options

Date	Number on Issue	Number of holders
Unlisted 22 May 2023	2,650,000	4
Unlisted 19 March 2023	1,000,000	1
Unlisted 3 July 2022	800,000	1
Unlisted 23 December 2021	5,000,000	4
Unlisted 1 August 2021	1,557,052	1
Unlisted 3 September 2018	375,000	1

## Substantial Holders

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

Name	Number of Ordinary Shares	% of Issued Shares
Tribeca Investment Partners Pty Ltd	27,644,202	11.57
Ken Richards	16,101,919	6.74
Charles Wilson	13,985,197	5.85

## 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.

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