Leaf Resources Limited

ABN 18 074 969 056

Appendix 4D

for the half year ended 31 December 2018

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

The information contained in this document should be read in conjunction with the financial statements for the year ended 30 June 2018 and any public announcements made by Leaf Resources Limited and its controlled entities ('the Group') during the interim reporting period in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

Results for announcement to the market

Revenues from ordinary activities				NIL
Loss from ordinary activities after tax attributable to members	**Up**	**81%**	**to**	**3,993,119**
Net loss for the period attributable to members	**Up**	**81%**	**to**	**3,993,119**

Dividends

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

Net tangible assets backing

	As at 31 December 2018	**As at 30 June 2018**
Net tangible asset backing per ordinary security (cents per share)	**0.70**	**0.57**

Explanation of operating performance

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

LEAF RESOURCES

Appendix 4D

Interim Financial Report

For the half-year ended 31 December 2018

ABN 18 074 969 056

Contents

Directors' Report

The Directors of Leaf Resources Limited ('Leaf Resources' or 'Leaf') present their report together with the financial statements of Leaf Resources Limited ('the Company') and its controlled entities ('the Group') for the period ended 31 December 2018.

Directors' details

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

Doug Rathbone	Chair of the board – Appointed 1 April 2018 Member of the audit committee – Appointed 1 November 2016 Non-executive director – Appointed 1 November 2016
Alex Baker	Managing Director – Appointed 1 February 2019 Non-executive director – Appointed 1 February 2018 Member of the audit committee – Appointed 1 February 2018
Ken Richards	Executive director – Appointed 31 August 2007 Managing Director – Resigned 31 January 2019
Matthew Morgan	Non-executive director – Appointed 21 July 2014 Chair of the audit committee – Appointed 11 August 2014
William Baum	Non-executive director – Appointed 16 June 2017 Member of the audit committee – Appointed 16 June 2017

Review of Operations and Financial Results

The operating loss of the Group increased to $3,993,119 for the period (31 December 2017 – $2,205,726) mainly due to increased research and development expenditure in relation to the commencement of the integrated demonstration study in Delft.

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

OPERATIONAL UPDATE

During the six months ended December 2018, the Company, with the support of project development JV partner Claeris, continued to build momentum towards the path of establishing the first Malaysian biorefinery project. Numerous key developments were achieved towards the project structure, commercial arrangements and financing pathway.

Biorefinery progress and update

Following on from its Fibre Supply Memorandum of Understanding (MOU) with Biovision & Greenergy SDN BHD, during August Leaf announced a non-binding MOU with PETRONAS Chemicals Group Berhad (PCG) for biorefinery offtake. The MOU provides for a study of chemical markets and commercially ready bio-technologies and, subject to satisfactory findings 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). The proposed biorefinery will be located at Segamat and will incorporate Leaf's proprietary Glycell™ technology that converts plant waste into valuable industrial sugars and other chemicals used in a wide variety of products and by downstream industries.

Integrated Demonstration Study & front end loading study

Leaf has partnered with Bioprocess Pilot Facility (BPF) in Delft, The Netherlands, to undertake the integrated demonstration studies that incorporates the necessary engineering and hardware components in pilot scale testing. This pilot testing is a critical component of the overall validation program for the technology, and an essential input to both the design and financing requirements for the Company's proposed biorefinery project in Malaysia.

Having completed Phase 2 of the Integrated Demonstration Study (IDS) in Delft, in June, where samples of C6 industrial sugars and lignin were successfully produced, Leaf Resources is now part-way through its Phase 3 study.

The IDS is a critical component of the overall validation program for Leaf's proprietary Glycell™ technology, and an essential input to both the design and financing requirements for the Company's proposed biorefinery project in Malaysia.

During Phase 3, chromatography separation is being fully integrated in order that all three phases of the Glycell™ process are linked and validated. This final study will include the unique separation technology, SMB (simulated moving bed chromatography) unit designed and built by Amalgamated Research Inc (ARI), the Company's chromatographic separations development partner.

Test criteria for the IDS have been agreed between the various parties involved in both the engineering for the project and potential financing of the project.

The data generated by these studies will support the FEL 3 (Front End Loading) engineering study which will then feed into the final engineered design for the Segamat site. Subsequently, a bankable feasibility study will be completed to support final due diligence and project financing.

The IDS will be completed by the end of June 2019, with information for the bankable feasibility study from the IDS to progressively become available starting in April 2019.

To undertake the final Phase 3 IDS, the Company purchased and installed a specialty separation process known as chromatographic separation. The associated unit was delivered and installed at BPF in November before achieving installation qualification (IQ) and then completing operations qualification (OQ) through commissioning, water testing and operation on actual product produced in the facility with the Glycell™ process.

An automated membrane press filtration unit was also required, purchased and installed. This unit has also progressed through the IQ and OQ steps, and the Leaf engineering and technical team remains in Holland to continue integrated operations.

These developments represent an important milestone, as the Glycell™ technology package has now been validated in a pilot facility for the first time as an integrated process. This enables Leaf to capture valuable data and knowledge on the Glycell™ process that will be fed into the FEL 3 engineering program conducted by TechnipFMC.

The Phase 3 design study is continuing into the first quarter of calendar year 2019 with performance qualification (PQ) as the equipment and processes are optimised in an integrated, continuous fashion. BPF will work with Leaf personnel to perfect the process and prove out the parameters for the techno-economic model.

In late January, immediately post the completion of the half year, several technical delegations attended the BPF site including Technip FMC, Claeris, B&G Capital Resources, Offset Capital Group and New Energy Risk Insurance.

In December, TechnipFMC was appointed engineer for the project's Front-end Loading (FEL) 3 engineering study. UK-based TechnipFMC operates in 48 countries, including Malaysia where it maintains a strong presence. Early in 2019, a team of TechnipFMC engineers from both Lyon, France and Malaysia reviewed the IDS equipment and process with Leaf and BPF engineers as part of the FEL 3 work.

Asia-based Managing Director of Leaf Malaysia, Jason Jones (representing Leaf's JV partner, Claeris), hosted the B&G Capital Resources delegates and Offset Capital Group with a number of positive technical and commercial discussions being held.

B&G Capital Resources Bhd. is the major shareholder of Segamat Inland Port (SIP) and Biovision & Greenergy Renewables Sdn. Bhd., which operates the upstream biomass fibre facility adjacent to Leaf's proposed biorefinery site in the state of Johor. B&G Renewables has entered into a letter of intent to supply empty fruit bunch (EFB) as the key biomass input to the Glycell™ process.

Offset Capital Group (OCG) helps commercial-stage clean and renewable technology companies connect with motivated project investors, primarily focused on advantaged capital sources, across emerging global markets.

New Energy Risk (NER) specialises in technology performance insurance and has a strong track record in underwriting waste-to-product technologies. NER is performing a technical review of Leaf's technology in order to provide project performance insurance coverage.

Malaysian Manufacturing

The Company's Malaysian Subsidiary, Leaf Malaysia, was granted a manufacturing licence in October for production of fermentable sugars (hexose and pentose), refined glycerol and lignin from the Ministry of International Trade and Industry (MIDA). The licence approval is subject to the completion of an environmental study, as well as other standard conditions including the use of approved architectural and engineering consultancy services in the design of the biorefinery.

Managing Director Appointment

Alex Baker's appointment to the role of Leaf Resources' MD/CEO from 1 February 2019 follows a long history with Leaf and the Glycell™ process and is a natural progression given his broad technical experience and complementary commercial skills.

Mr Baker returns to Leaf with 25 years' experience across various sectors including technology and biotechnology. He has significant public company experience in addition to Government and private enterprise roles. His expertise across leadership, financial management, stakeholder engagement and business development will be key in progressing the Leaf Resources business through further milestones.

In conjunction with this change Mr Ken Richards stepped down from the MD/CEO role, remaining on the board as an Executive Director in a part time capacity working on special projects for Leaf.

R&D Tax Incentive

The company received $941,000 in respect of its entitlement under the Research and Development Tax Incentive Program for the 2018 financial year.

The funds were used to contribute to the phase 3 IDS in Delft, which is a continuation of the research and development program being undertaken as the company draws closer to the first fully commercial biorefinery using Leaf's proprietary GlycellTM technology, in Malaysia.
The Company entered into a loan agreement with Radium Capital (Radium) for the advance payment of funds to be received under the Australian R&D tax incentive for the FY19 year. Under this agreement Leaf received $660,000 from Radium in December and an additional $595,000 in February (after the half year period).
At this key stage in the Company's development, the loan agreement provides non-dilutive funding. The management team expects that, if required, the Company will be successful in receiving further advanced payments covering its R&D spend in subsequent months.

Radium Capital provides funding to innovative Australian businesses running successful R&D programs by providing R&D tax incentive loans, on favourable terms, in advance of their receipt from the ATO.

Fund Raising

During August, Leaf Resources completed an oversubscribed $5 million placement to new and existing domestic and international institutional and sophisticated investors. The funds raised are being used to progress the commercialisation of Glycell™ technology.

The placement involved the issue of approximately 66.2 million new fully paid ordinary shares at an issue price of $0.075 per share. Investors who participated in the Placement received 1 free attaching option for every 2 shares subscribed for in the Placement. The Option is exercisable at $0.09 on or before 31 May 2019.

Canaccord Genuity (Australia) Limited acted as lead manager to the Placement. Salmon Giles Corporate Pty Ltd acted as Corporate Advisor to the Company.

The funds raised in the placement enabled Leaf to complete the purchase of the SMB unit required for the Integrated Demonstration Study (IDS) in Holland, as well as paying the deposit required for the IDS.

LeafCOAT

The Company secured an extension to the licensed territories for LeafCOAT, an innovative biodegradable coating product for the packaging market. In a new agreement, Leaf has secured the rights to commercialise and distribute LeafCOAT in Europe. The original license covered North America, Brazil and Malaysia.

The technology for LeafCOAT is licensed from QUT bluebox, the commercial arm of the Queensland University of Technology (QUT.

Leaf is targeting LeafCOAT at segments of the packaging market where it offers important advantages as a renewable replacement in traditional, petroleum based wax coatings and various plastic coatings used to waterproof the paper or cardboard which makes the box and packaging made form that cardboard unable to be recycled.

Leaf has signed a number of non-disclosure agreements (NDA/MTA) with potential users in existing licensed territories for discussions on and trials of the coating and has commenced discussions with the new European territory customers.

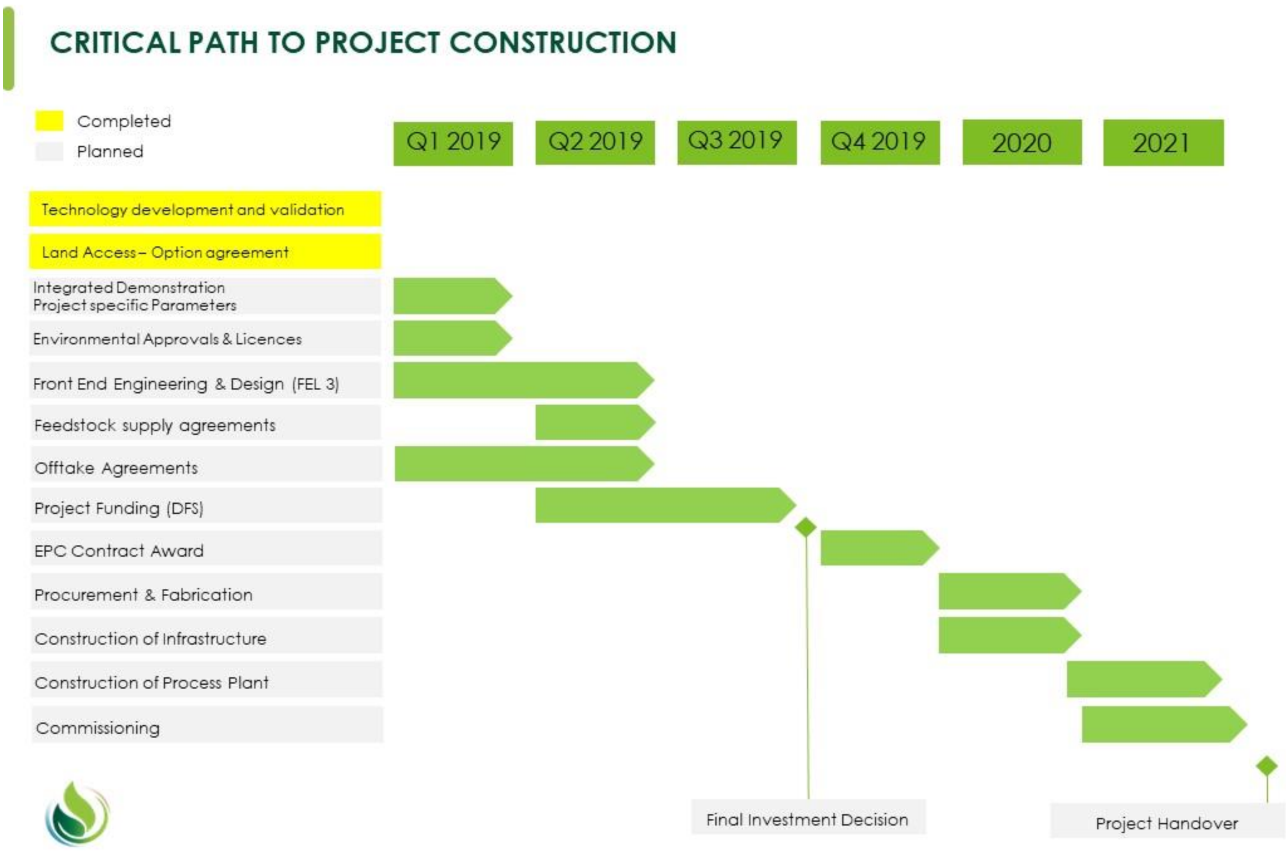
Outlook for 2019

On the current timetable – and assuming key milestones are achieved on schedule over the period – Leaf expects to be in a position to start construction of the Segamat biorefinery in the first quarter of calendar year 2020.

The final phase of the Integrated Design Study (IDS) is now underway at Delft in The Netherlands. The IDS process focuses on refining and validating the Glycell™ manufacturing process, including the various hardware components, and tests that process under pilot industrial conditions.

The FEL 3 study determines the final engineering design on a site-specific basis, including the incorporation of utilities.

Leaf will begin preparation of a bankable feasibility study – to support final due diligence and project financing – as data from the current IDS progressively becomes available starting in April 2019.



Conclusion

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

Rounding of amounts

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

Auditor's independence declaration

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

Directors' authorisation

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

Doug Rathbone
Chairman
Brisbane, Queensland, Australia
27 February 2019

Alex Baker
Managing director
Brisbane, Queensland, Australia
27 February 2019

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Auditor's Independence Declaration

To the Directors of Leaf Resources Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Leaf Resources Limited for the half-year ended 31 December 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 review; and

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M S Bell
Partner – Audit & Assurance

Brisbane, 27 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 31 December 2018

	Notes	31 Dec 2018 $	31 Dec 2017 $
Revenue		-	-
Other income		1,435,517	312,927
Mining lease expenses		(2,069)	(2,527)
Depreciation, amortisation and impairment		(292,800)	(4,590)
Employee benefits expense		(607,362)	(541,565)
Directors' & officers' fees & CEO		(358,236)	(344,300)
Office administration		(174,340)	(82,304)
Professional fees		(397,553)	(49,124)
Corporate and investor costs		(204,102)	(185,541)
Travel and accommodation		(292,806)	(150,933)
Research and development		(1,817,935)	(454,138)
Patent and licence fees		(101,202)	(8,794)
Share of loss of associate	6	(1,171,922)	(649,553)
Other expenses		(8,309)	(45,284)
Loss before income tax		**(3,993,119)**	**(2,205,726)**
Income tax benefit		-	-
Loss for the period from continuing operations		**(3,993,119)**	**(2,205,726)**
Loss from discontinued operations		**-**	**-**
Loss for the period		**(3,993,119)**	**(2,205,726)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		81,866	(50,346)
Income tax on items that may be reclassified to profit or loss		**-**	**-**
Other comprehensive income for the period, net of tax		**81,866**	**(50,346)**
Total comprehensive loss for the period		**(3,911,253)**	**(2,256,072)**

Earnings Per Share from Continuing Operations			
Basic loss per share (cents)	9	(1.56)	(1.15)
Diluted loss per share (cents)	9	(1.56)	(1.15)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	31 Dec 2018 $	30 June 2018 $
Current Assets			
Cash and cash equivalents	11	574,212	558,052
Trade and other receivables	12	1,279,788	1,015,697
Total Current Assets		**1,854,000**	**1,573,749**
Non-Current Assets			
Property, plant and equipment	8	1,219,895	811,574
Investments in associates	6	238,227	368,462
Total Non-Current Assets		**1,458,122**	**1,180,036**
Total Assets		**3,312,122**	**2,753,785**
Current Liabilities			
Trade and other payables	13	288,602	1,178,515
Borrowings	14	660,000	-
Employee benefits	15	147,698	120,693
Provisions	16	50,000	50,000
Total Current Liabilities		**1,146,300**	**1,349,208**
Non-Current Liabilities			
Employee benefits	15	43,387	34,390
Total Non-Current Liabilities		**43,387**	**34,390**
Total Liabilities		**1,189,687**	**1,383,598**
Net Assets		**2,122,435**	**1,370,187**
Equity			
Equity attributable to owners of the parent:			
Issued capital	17	55,786,834	51,128,441
Reserves	18	822,723	1,163,367
Accumulated losses		(54,487,122)	(50,921,621)
Total Equity		**2,122,435**	**1,370,187**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2018

Attributable to equity holders of the parent

	Issued Capital $	Accumulated Losses $	Share Based Payment Reserve $	Foreign Currency Translation Reserve $	Total Equity $
Balance at 1 July 2018	**51,128,441**	**(50,921,621)**	**1,220,558**	**(57,191)**	**1,370,187**
Loss for the period	-	(3,993,119)	-		(3,993,119)
Other comprehensive income	-	-	-	81,866	81,866
Total comprehensive loss for the period	**-**	**(3,993,119)**	**-**	**81,866**	**(3,911,253)**
Issue of share capital	4,966,000	-	-	-	4,966,000
Share issue transaction costs	(307,607)	-	-	-	(307,607)
Cost of share based payments	-	-	5,108	-	5,108
Cost of share based payments – exercised options	-	-	-	-	-
Cost of share based payments – lapsed options and rights	-	427,618	(427,618)	-	-
Total transactions with owners	**4,658,393**	**427,618**	**(422,510)**	**-**	**4,663,501**
Balance at 31 December 2018	**55,786,834**	**(54,487,122)**	**798,048**	**24,675**	**2,122,435**

Balance at 1 July 2017	**46,360,004**	**(46,543,589)**	**1,094,099**	**(48,953)**	**861,561**
Loss for the period	-	(2,205,726)	-		(2,205,726)
Other comprehensive income	-	-	-	(50,346)	(50,346)
Total comprehensive loss for the period	**-**	**(2,205,726)**	**-**	**(50,346)**	**(2,256,072)**
Transactions with owners in their capacity of owners:					
Issue of share capital	4,878,365	-	-	-	4,878,365
Share issue transaction costs	(53,811)	-	-	-	(53,811)
Cost of share based payments	-	-	80,506	-	80,506
Cost of share based payments – exercised options	34,018	-	(34,018)	-	-
Cost of share based payments – lapsed options	-	7,940	(7,940)	-	-
Total transactions with owners	**4,858,572**	**7,940**	**38,548**	**-**	**4,905,060**
Balance at 31 December 2017	**51,218,576**	**(48,741,375)**	**1,132,647**	**(99,299)**	**3,510,549**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 December 2018

	Notes	31 Dec 2018 $	31 Dec 2017 $
Net cash flows from operating activities			
Receipts from customers		-	-
Government Grant Income		276,061	-
Payments to suppliers & employees		(4,220,321)	(1,757,499)
Interest received		517	2,165
R&D tax incentive refund		941,192	645,813
Net cash used in operating activities		**(3,002,551)**	**(1,109,521)**
Cash flows from investing activities			
Payment for plant & equipment	8	(701,121)	(6,349)
Payments for investment in equity accounted associate		(956,724)	(726,651)
Net cash provided by investing activities		**(1,657,845)**	**(733,000)**
Cash flows from financing activities			
Proceeds from issue of shares		4,966,000	4,878,365
Share issue transaction costs		(289,444)	(53,811)
Net cash provided by (used in) financing activities		**4,676,556**	**4,824,554**
Net (decrease)/increase in cash and cash equivalents		16,160	2,982,033
Cash and cash equivalents at the beginning of the period		558,052	573,727
Cash and cash equivalents at the end of the period	11	**574,212**	**3,555,760**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of operations

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

2. General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 31 December 2018 and are presented in Australian Dollar ($AUD), which is the functional currency of the Parent Company. These general purpose interim financial reports have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting.* They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2018 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 28 February 2019.

New standards adopted as at 1 July 2018

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.

Classification and measurement of the Group's financial assets

Investment in Associates – this is recognised at fair value through other comprehensive income (equity FVOCI) under AASB9 as it is held as a long-term investment. An impairment expense was recorded in relation to the investment of $364,890 for the half year ended 31 December 2018.

Trade and Other Receivables – these were assessed for impairment at 31 December 2018 with no impairment allowance being recorded.

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 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 not yet at a stage in development where revenues are being generated as a normal course of business. Until that time the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements.

The Company has however performed an assessment of the revenue received under the Queensland Government Biofutures Program and, as a result of this assessment, has recognised the gross amount of the revenue under other income.

3. Significant accounting policies

The interim consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2018 with the following supplementary disclosure:

Basis of consolidation

Investments in Associates and Joint Arrangements
Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.
Investments in associates are accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment.
The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.
Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

4. Estimates

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

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2018.

5. Going Concern

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

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.

The Group incurred a net loss of $3,911,253 during the half year ended 31 December 2018, and incurred negative cashflows from operations of $3,002,551. These events or conditions 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.

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 the strategic goals. They believe therefore that the Group continues to be a going concern and that it will be able to pay its debts as and when they fall due for a period of at least 12 months from the date of this report.

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

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

6. Share of Loss of Associate

A subsidiary of Leaf, Leaf Resources USA, LLC holds a non-controlling interest in Leaf Development, LLC ('Leaf Development') a company formed in the State of Texas, USA on 15 July 2016. The functional currency of Leaf Resources USA, LLC is United States dollars. Leaf Development is the entity carrying out the Group's joint venture activities with Claeris. At 31 December 2018, Leaf Resources USA, LLC held 100% of the issued A Class Units and 50% of the issued F Class Units in Leaf Development, LLC, representing a combined ownership of 80% of the economic rights

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

The Company applies AASB128 Investments in Associates and Joint Ventures and has accounted for its investment in Leaf Development, LLC under the equity method. The investment in Leaf Development has been recognised at cost and adjusted for the group's share of Leaf Development's loss for the period 1 July 2018 to 31 December 2018.

The Group's share of Leaf Development's loss for the period 1 July 2018 to 31 December 2018 was $AUD974,524 and is recognised in the group's profit and loss. The foreign exchange currency difference on translating Leaf Resources USA LLC, Leaf's holding company for Leaf Development LLC, to Australian dollars is included in other comprehensive income.

	31 December 2018	30 June 2018
	AUD$	AUD$
Investment in associate	238,227	368,462

	31 December 2018	31 December 2017
Share of Leaf Development, LLC loss attributable to Leaf Resources USA, LLC	(974,524)	(397,134)
Currency gains on conversion of share of loss	167,491	1,114
Impairment recognised to 31 December 2018	(364,889)	(253,533)
Total share of loss of associate	**(1,171,922)**	**(649,553)**

7. Segment information

Description of segments

The Group has one operating segment: technology & development. Management has determined the operating segment 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.

8. Property, plant and equipment

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

	31 December 2018 $	30 June 2018 $
Plant and equipment		
Cost	1,528,355	827,233
Accumulated depreciation	(308,460)	(15,659)
Total property, plant and equipment	**1,219,895**	**811,574**

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

	31 December 2018 $	30 June 2018 $
Plant and equipment		
Opening written down value	811,574	813,618
Additions	701,121	9,910
Disposals	-	(3,376)
Depreciation	(292,800)	(8,578)
Closing written down value, plant & equipment	**1,219,895**	**811,574**

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

9. Earnings per share

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the parent company (Leaf Resources Limited) as the numerator, i.e. no adjustments to profits were necessary during the six (6) months period to 31 December 2018 and 31 December 2017.

Reconciliation of earnings used in calculating earnings per share	**31 Dec 2018 $**	**31 Dec 2017 $**
Loss attributable to the parent entity used in the calculation of basic and dilutive EPS	(3,993,119)	(2,205,726)
Loss attributable to the parent entity	(3,993,119)	(2,205,726)
Weighted average number of ordinary shares	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	256,701,469	191,605,634
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per shares	256,701,469	191,605,634

10. Calculation of dilutive EPS

As at 31 December 2018 there are 53,187,497 (31 December 2017: 22,265,635) unlisted options and performance rights on issue which were not included in the calculation of diluted earnings per share due to being anti-dilutive.

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

11. Cash and cash equivalents

Cash and cash equivalents include the following components:

	31 Dec 2018 $	30 June 2018 $
Cash at bank and in hand		
Cash held in $AUD	555,235	497,320
Cash held in $USD (converted to $AUD)	17,997	6,540
Cash held in EURO (converted to $AUD)	980	54,192
Cash and cash equivalents	**574,212**	**558,052**

12. Trade and other receivables

	31 Dec 2018 $	30 June 2018 $
Trade receivables	18,860	21,850
Impairment allowance	-	-
Net trade receivables	**18,860**	**21,850**
Other debtors	-	-
GST receivable	58,033	22,745
Prepayments	15,422	21,765
Deposit landlord	6,050	6,050
Accrued income	2,096	2,096
R&D tax incentive receivables	1,179,327	941,191
Total Trade and other receivables	**1,279,788**	**1,015,697**

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

Trade and or other receivables past due at 31 December 2018

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

13. Trade and other payables

Trade and other payables consist of the following:

	31 Dec 2018 $	30 June 2018 $
Trade payables	201,037	424,446
Accruals	14,218	703,104
Other payables	73,347	50,965
Total trade and other payables	**288,602**	**1,178,515**

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

14. Borrowings

Borrowings consist of the following:

	31 Dec 2018 $	30 June 2018 $
R&D Finance Loan Payable	660,000	-
Total borrowings	**660,000**	**-**

The Company entered into a loan agreement during December 2018 with Radium Capital for the advance payment of funds to be received under the Australian R&D tax incentive. Under the agreement, Leaf has already received $660,000 from Radium, representing its expected R&D tax rebate for July-October 2018All amounts are short-term. The interest rate on the loan is 15% per annum with the principle and interest maturing at the same time as the R&D tax incentive is received from the Australian Tax Office.

15. Employee benefits

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

Current	31 Dec 2018 $	30 June 2018 $
Leave entitlements	147,698	120,693
Total employee benefits	**147,698**	**120,693**
Non-Current		
Leave entitlements	43,387	34,390
Total non-current employee benefits	**43,387**	**34,390**
Total employee benefits	**191,085**	**155,083**

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

16. Provisions

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

	31 Dec 2018 $	30 June 2018 $
Carrying amount opening	50,000	50,000
Additional provision	-	-
Amount utilised	-	-
Carrying amount closing	**50,000**	**50,000**

Leaf Resources' subsidiary AQL Mining Pty Ltd is required to restore the mining leases held in Karratha, Western Australia, to the extent required by the mining approvals. The amount held in the provision account represents the Group's best current estimate of the cost of restoration.

17. Issued capital

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

	31 Dec 2018 Number	31 Dec 2018 $	30 June 2018 Number	30 June 2018 $
Movements in ordinary share capital				
Balance at beginning of financial year	238,993,342	51,128,441	184,357,233	46,360,004
Net share issue	66,213,332	4,658,393	51,843,331	4,524,348
Net issue under share based payments	Nil	Nil	667,778	Nil
Exercised / expired employee options	Nil	Nil	2,125,000	244,089
Total contributed equity	**305,206,674**	**55,786,834**	**238,993,342**	**51,128,441**

The Company issued shares at multiple times throughout the period to 31 December 2018 to increase the working capital of the Group to further the development and commercialisation of the Glycell™ process and to advance a potential project in Malaysia.

The Company issued shares in August and September 2018 to professional and sophisticated investors utilising the share placement facility under listing rule 7.1 and 7.1A.

18. Reserves

	31 Dec 2018 $	30 June 2018 $
Share based payments reserve		
Movements:		
Balance at beginning of the financial year	1,220,558	1,094,099
Cost of share-based payment	5,108	168,417
Value of exercised and lapsed options and rights	(427,618)	(41,958)
Balance at the end of the reporting period	**798,048**	**1,220,558**
Foreign currency translation reserve		
Movements:		
Balance at beginning of the financial year	(57,191)	(48,953)
Net gain/(loss) on translation of currency	81,866	(8,238)
Balance at the end of the reporting period	**24,675**	**(57,191)**
Balance of reserves at 31 December 2018	**822,723**	**1,163,367**

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

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

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

19. Share based payments

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

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

The following equity securities were granted during the reporting period:

Equity security	Expected volatility	Risk-free interest rate	Exercise price	Vesting date	Expiration date	Amount expensed to 31 Dec 2018
Options	52.7%	2.34%	$0.15	01/02/2020 01/02/2021 01/03/2022	01/02/2024	$182
Options	52.7%	2.34%	$0.25	01/02/2020 01/02/2021 01/03/2022	01/02/2024	$69

The fair value is recognised as an expense over the vesting period. In addition to the above, the following portion of the value relating to equity securities granted in previous periods was expensed to the statement of comprehensive income during the period to 31 December 2018:

- Employee Share Option Plan $13,731
- Employee Performance Rights Plan $18,927

20. Events subsequent to balance date

Since 31 December 2018 the following matter has arisen which may significantly affect the operations of the Group:

On 31 January 2019 the Company was approved for an additional loan from Radium Capital for the advance payment of funds to be received under the Australian R&D tax incentive. The additional loan was for $595,000 with an interest rate of 14% per annum with the principle and interest maturing at the same time as the R&D tax incentive is received from the Australian Tax Office.

DIRECTORS' DECLARATION

In the opinion of the directors of Leaf Resources Limited:

(a) the consolidated financial statements and notes of Leaf Resources Limited for the half year ended 31 December 2018 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of its financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

   (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001;* and

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

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the half-year ended 31 December 2018.

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

Doug Rathbone
Chairman
Brisbane, Queensland, Australia
27 February 2019

Grant Thornton

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Independent Auditor's Review Report

To the Members of Leaf Resources Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Leaf Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Leaf Resources Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Material uncertainty related to going concern

We draw attention to Note 5 in the financial report, which indicates that the Group incurred a total net comprehensive loss of $3,911,253 during the half year ended 31 December 2018 and, had operating cash outflows of $3,002,551. These events or conditions, along with other matters as set forth in Note 5, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Leaf Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M S Bell
Partner – Audit & Assurance

Brisbane, 27 February 2019

Corporate Directory

Board of Directors:	Doug Rathbone Ken Richards Matthew Morgan William Baum Alex Baker
Company Secretary:	Tim Pritchard
Managing Director:	Ken Richards (resigned 31 January 2019) Alex Baker (appointed 1 February 2019)
Registered Office & Principal Place of Business:	Suite 7 / 1 Westlink Court Darra, Queensland, Australia 4076 Telephone: +61 (7) 3188 9040
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)
Bankers:	National Australia Bank Brisbane City Business Bankers Level 22, 100 Creek Street Brisbane, Queensland, Australia 4000
Share Registry:	Link Market Services Level 21, 10 Eagle St, Brisbane, QLD, Australia, 4000 Locked Bag A14 South Sydney, NSW, Australia, 1235 Telephone: +61 1300 554 474 Facsimile: +61 (2) 9287 0309
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