

Leaf Resources Limited

ABN 18 074 969 056

Appendix 4D

for the half year ended 31 December 2019
(previous corresponding period : half year ended 31 December 2018)

The information contained in this document should be read in conjunction with the financial statements for the period ended 31 December 2019 and any public announcements made by Leaf Resources Limited and its controlled entities ('the Group') during the interim reporting period in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

Results for announcement to the market

Revenues from ordinary activities				NIL
Loss from ordinary activities after tax attributable to members	Down	76%	to	973,893
Net loss for the period attributable to members	Down	76%	to	973,893

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 2019	As at 30 June 2019
Net tangible asset backing per ordinary security (cents per share)	-0.31	-0.19

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

Details of Associates and Joint Ventures

Refer to notes 6 and 7 of the Interim Financial Report to 31 December 2019

LEAF RESOURCES

Appendix 4D

Interim Financial Report

For the half-year ended 31 December 2019

ABN 18 074 969 056



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Directors' Report

The Directors of Leaf Resources Limited ('Leaf Resources' or 'Leaf') present their report together with the financial statements of Leaf Resources Limited ('the Company') and its controlled entities ('the Group') for the period ended 31 December 2019.

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 decreased to \$973,893 for the period (31 December 2018 – \$3,993,119) mainly due to decreased research and development expenditure.

Leaf Resources is a renewable technology development company focused on commercialising the Glycell™ process, a proprietary technology that is an essential first step the biorefining process breaking down biomass into its constituent parts (carbohydrates and lignin) that are intermediate chemical products for further conversion into marketable products such as biobased chemicals, bioplastics and advanced energy molecules.

OPERATIONAL UPDATE

During the six months ended 31 December 2019, the Company, is ahead of its internal milestone timelines and during the half year has continued to progress towards its objective of establishing the first Malaysian biorefinery project using Leaf's proprietary Glycell™ technology.

During the six months ended December 2019 Leaf Resources continued commercialisation of its proprietary Glycell™ technology via development of its first biorefinery in Segamat, Malaysia.

In September, the Company announced Leaf Malaysia Op Co Sdn Bhd (Leaf Malaysia) had secured a Malaysian partner for 51% ownership of the Leaf Malaysia entity. Including a local shareholder was important to give the Company an opportunity to secure valuable support from the Malaysian government, including funding assistance. This includes funding under the Malaysian Technical Depository Agency (TDA) Industrial Collaboration Program (ICP).

The ICP program provides funds for deployment on approved projects administered by the TDA, with US\$11.2 billion available to support the development of projects that help create jobs, economic growth and technology transfer. A successful outcome for Leaf through the ICP process would provide ~ US\$5.0 million and facilitate funding of its Malaysian project through to a bankable feasibility report.

On 13 January 2020, Leaf Resources announced confirmation from the Malaysian Technical Depository Agency (TDA) regarding the acceptance and completion of the Company's application for funding consideration under the Industry Collaboration Program (ICP).

Following this, the TDA will commence the second stage and seek to match Leaf's proposed Malaysian biorefinery project with the ICP program and Malaysian government procurement obligations. The Company has been advised that an initial candidate representing a major aerospace transport vendor has been identified, and other candidates are under assessment.

In September, Leaf signed a Joint Development Agreement (JDA) with Colorado-based Gevo Inc, a leading renewable fuels and chemicals manufacturer listed on the NASDAQ, to explore the potential use of cellulosic derived sugars and glycerol from Leaf and the ability to convert these to hydrocarbon molecules useful as fuels or chemicals.

Gevo is focused on the development and commercialisation of renewable alternatives to petroleum-based products. This includes the development and production of mainstream fuels like gasoline and jet fuel using renewable feedstocks that have the potential to lower greenhouse gas emissions at a meaningful scale. Low carbon alternative jet fuels developed by Gevo have been used commercially. Gevo announced in August that it has entered into a partnership agreement with French aviation fuel producer and distributor Air TOTAL International SA (Air TOTAL) to produce and supply sustainable aviation fuel (SAF) for use and distribution in France and other parts of Europe.

The JDA with Leaf is structured around three phases of joint work designed to establish a bankable project. Phase 1 will develop the feasibility of a potential facility in Queensland (incorporating Leaf's proprietary Glycell™ technology), followed by phases investigating the commercial development and commercialisation of the project. Gevo and Leaf will carry their own costs during phase 1 of the project, with further funding to be determined by a future written agreement after completion of the phase 1 milestones.

Leaf commenced the integrated engineering model within phase 1 and continues to progress its joint activities with Gevo on time and on budget, with the ultimate goal of establishing the capacity to process biomass utilising Leaf's technology coupled with Gevo to produce "green" jet fuel.

Currently there is approximately 12 million bone dry tonnes of available biomass produced in Queensland with more than 90% of this material from the sugar cane industry.

Corporate

Leaf completed a non-renounceable rights issue in September, raising a total of \$545,000 before costs. This rights issue allowed for one new share for every 14 shares held, at an issue price of \$0.025 per share. The new shares applied for under the Entitlement Offer were allotted on Friday 6 September 2019.

Leaf received \$2,838,226 in respect to its entitlement under the R&D tax incentive program for the 2019 financial year. Part of these funds were used to settle the R&D financing loan Leaf received from Radium Capital. The remaining \$900,000 being used as working capital.

On 28 November 2019, the Board of Leaf Resources conducted its Annual General Meeting, with all resolutions passed.

In February 2020 the board approved a placement of shares to take place this month and a second in May to be concluded by March and June 2020. To date the board has received verbal confirmations for a placement of \$105,000 and has provided those investors with written subscription agreements. We expect to conclude this placement in early March 2020. The Company will continue working its way towards further placements through to June 2020.

The company can also confirm that the company will execute a Note Subscription Agreement with entities associated with a director, Douglas Rathbone for a total of \$75,000. Subject to shareholder approval, the Note will immediately convert to new shares in the Company at an issue price of 2 cents per share. The Company will advise of a General Meeting to seek shareholder approval shortly.

Outlook for 2020

Leaf expects 2H 2020 to deliver additional positive progress in relation to the ICP process in Malaysia, as well as further developments in respect to its Queensland project, and the Board will continue to source incremental capital, as required, to progress these projects.

Receipt of funding under the ICP would allow Leaf to commence front-end engineering and design for its Malaysian biorefinery later in 2020.

Establishing partnerships and selecting a site for its Queensland project will be the focus of Leaf's work in Australia over the coming months.

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
28 February 2020



Alex Baker
Managing director
Brisbane, Queensland, Australia
28 February 2020

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 half-year ended 31 December 2019, 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, 28 February 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 31 December 2019

	Notes	31-Dec 2019 \$	31-Dec 2018 \$
Revenue		-	-
Other income		66,202	1,435,517
Mining lease expenses		(2,670)	(2,069)
Depreciation and amortisation		(3,311)	(292,800)
Employee benefits expense		(65,092)	(607,362)
Directors' & officers' fees & CEO		(270,200)	(358,236)
Office administration		(115,253)	(174,340)
Professional fees		(126,111)	(397,553)
Corporate and investor costs		(65,641)	(204,102)
Travel and accommodation		(68,947)	(292,806)
Research and development		(91,329)	(1,817,935)
Patent and licence fees		(77,041)	(101,202)
Share of loss of associate		(8,849)	(1,171,922)
Other expenses		(145,651)	(8,309)
Loss before income tax		(973,893)	(3,993,119)
Income tax benefit		-	-
Loss for the period from continuing operations		(973,893)	(3,993,119)
Loss from discontinued operations		-	-
Loss for the period		(973,893)	(3,993,119)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		(1,412)	81,866
Income tax on items that may be reclassified to profit or loss		-	-
Other comprehensive income for the period, net of tax		(1,412)	81,866
Total comprehensive loss for the period		(975,305)	(3,911,253)
Earnings Per Share from Continuing Operations			
Basic loss per share (cents)	10	(0.31)	(1.56)
Diluted loss per share (cents)	10	(0.31)	(1.56)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	31-Dec 2019 \$	30-Jun 2019 \$
Current Assets			
Cash and cash equivalents	12	247,565	293,601
Trade and other receivables	13	162,297	2,902,215
Total Current Assets		409,862	3,195,816
Non-Current Assets			
Property, plant and equipment	9	29,166	28,511
Investments in associates	6	-	-
Total Non-Current Assets		29,166	28,511
Total Assets		439,028	3,224,327
Current Liabilities			
Trade and other payables	14	970,086	1,289,665
Borrowings	15	276,638	2,164,829
Employee benefits	16	160,829	304,688
Provisions	17	50,000	50,000
Total Current Liabilities		1,457,553	3,809,182
Non-Current Liabilities			
Employee benefits	16	638	753
Total Non-Current Liabilities		638	753
Total Liabilities		1,458,191	3,809,935
Net Assets		(1,019,163)	(585,608)
Equity			
Equity attributable to owners of the parent:			
Issued capital	18	56,243,966	55,749,498
Reserves	19	925,632	922,969
Accumulated losses		(58,188,761)	(57,258,075)
Total Equity		(1,019,163)	(585,608)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2019

	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 2019	55,749,498	(57,258,075)	898,294	24,675	(585,608)
Loss for the period	-	(973,893)	-	-	(973,893)
Other comprehensive income	-	-	-	(1,412)	(1,412)
Total comprehensive loss for the period	-	(973,893)	-	(1,412)	(975,305)
Issue of share capital	544,999	-	-	-	544,999
Share issue transaction costs	(25,130)	-	-	-	(25,130)
Cost of share based payments	(25,399)	-	47,280	-	21,881
Cost of share based payments – exercised options	-	-	-	-	-
Cost of share based payments – lapsed options and rights	-	43,206	(43,206)	-	-
Total transactions with owners	494,470	43,206	4,074	-	541,750
Balance at 31 December 2019	56,243,968	(58,188,762)	902,368	23,263	(1,019,163)
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

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 December 2019

	Notes	31-Dec 2019 \$	31-Dec 2018 \$
Net cash flows from operating activities			
Receipts from customers		-	-
Government Grant Income		-	276,061
Payments to suppliers & employees		(1,363,652)	(4,220,321)
Interest received		136	517
Interest Paid		(190,558)	-
R&D tax incentive refund		2,805,984	941,192
Net cash used in operating activities		1,251,910	(3,002,551)
Cash flows from investing activities			
Payment for plant & equipment	9	(3,966)	(701,121)
Payments for investment in equity accounted associate		(8,849)	(956,724)
Net cash provided by investing activities		(12,815)	(1,657,845)
Cash flows from financing activities			
Proceeds from issue of shares		544,999	4,966,000
Share issue transaction costs		(25,130)	(289,444)
Repayment of Borrowings		(1,805,000)	-
Net cash provided by (used in) financing activities		(1,285,131)	4,676,556
Net (decrease)/increase in cash and cash equivalents		(46,036)	16,160
Cash and cash equivalents at the beginning of the period		293,601	558,052
Cash and cash equivalents at the end of the period	12	247,565	574,212

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of operations

Leaf Resources Limited and its 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 2019 and are presented in Australian Dollar (\$AUD), which is the functional and presentational 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 2019 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 2020.

3. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

In the current year, the Group has adopted all the amendments and interpretations issued by the Australian Accounting Standards Board that are mandatory to be effective for an accounting period beginning on or after 1 January 2019.

AASB 16 Leases

AASB 16:

Leases is applicable to reporting periods beginning on or after 1 January 2019 and was adopted by the Group in the current period. This standard:

- 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 lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases.

As there are no lease commitments over one month the Standard has not had 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, as all leases fall within the short term lease exemptions within the standard.

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 2019.

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 lead proprietary technology and is ready to pursue these objectives towards priority project geographies. The integrated demonstration study (IDS) was a study completed by Leaf in the beginning of 2019 at the BioProcess Pilot Facility in the Netherlands showing each process unit operation working as a whole using Malaysian project biomass. The completion of the IDS has positioned the company with respect to Malaysian biomass, empty fruit bunch (EFB), progressing to the FEL3 study and towards bankable feasibility for the Malaysian project.

Management understands that its current commitment to fund the ongoing commercialisation objectives and to continue as a going concern requires funds to be raised. Management notes the net deficiency of assets of \$1,019,163 and operating loss of \$973,893 at 31 December 2019. Consequently a material uncertainty exists that the company may continue as a going concern. With regard to this the Company is pursuing a strategy which manages the impact of dilution on shareholders equity and intends to raise smaller sums as each set of milestones is passed and the lead project gets closer to commercialisation. Over this reporting period the Company raised \$545,000 in a rights issue, which received positive support from shareholders. The Company believes that it is reasonable to expect that further capital will be raised over the coming year of a similar amount as milestones are met. With this in mind the board approved a placement of shares to take place this month and a second in May to be concluded by March and June 2020. To date the board has received verbal confirmations for a placement of \$105,000 and has provided those investors with written subscription agreements. We expect to conclude this placement in early March 2020. The Company will continue working its way towards further placements through to June 2020.

The company can also confirm that the company will execute a Note Subscription Agreement with entities associated with a director, Douglas Rathbone for a total of \$75,000. Subject to shareholder approval, the Note will immediately convert to new shares in the Company at an issue price of 2 cents per share. The Company will advise of a General Meeting to seek shareholder approval shortly.

In addition to the other fund raising, the completion of the R&D tax incentive claim for FY20 will provide additional funding to the Group of approximately \$150,000.

Progress on approval of funding from the Technology Development Authority (TDA) in Malaysia is progressing well. With the completion of an agreement for a Malaysian based company to take a 51% share of Leaf Malaysia OpCo Sdn Bhd (a prerequisite for TDA funding approval), the Company can confirm that it has received TDA approval for funding consideration. The TDA will now commence the second stage and match Leaf's proposed Malaysian biorefinery project with the ICP program and

Malaysian government procurement obligations. This pre-construction funding will provide funds to cover the completion of the FEL3 study, the generation of sugar samples, as well as a large portion of the balance of funds due to BPF for the IDS. Discussions with the TDA so far have been favourable and it is anticipated that this funding will be approved and received within the current financial year based on timeframes indicated by the TDA.

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 2019, 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 2019 to 31 December 2019.

The total share of Leaf Development's loss for the period 1 July 2019 to 31 December 2019 was \$323,233. Of this \$8,849 was recognised in the Group's profit and loss. As the Group does not have direct responsibility for the liabilities of the US subsidiary, the carrying amount of the investment has been adjusted to nil.

Movements in Investment in joint venture	31 Dec 2019	30 Jun 2019
	\$	\$
Opening	-	369,686
Contributions	8,849	1,027,165
Share of loss of joint venture	(8,849)	(1,477,493)
Impairment	-	-
Foreign currency translation	-	80,642
Closing	-	-

Summarised financial information for Leaf Development, LLC is set out below	31 Dec 2019	30 Jun 2019
	\$	\$
Current assets	4,326	17,489
Non-Current assets	103,483	350,455
Total Assets	107,809	367,944
Current liabilities	-	708,891
Non-Current Liabilities	-	-
Total Liabilities	-	708,891
Revenue	-	-
Loss for the year	(404,042)	(1,855,407)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(404,042)	(1,855,407)
Total expense	-	-

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

	31 Dec 2019	30 Jun 2019
	\$	\$
Total net assets of Leaf Development, LLC	107,809	(340,947)
Proportion of ownership interests held by the Group	80%	80%
Add back amounts paid directly by the Parent Company	-	2,986
Adjustment of investment to reflect ownership commitment	(86,247)	(269,772)
Carrying amount of the investment in Leaf Development, LLC	-	-

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 \$37,500 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.

7. Change in composition of the Group

In the prior period Leaf Malaysia OpCo Sdn was owned 100% by Leaf Development LLC. On 6 September 2019, Leaf Malaysia Op Co Sdn Bhd secured a Malaysian partner to acquire 51% ownership, resulting in a 49% ownership by Leaf Development LLC. It has been determined that Leaf Development LLC has joint control and a loss of \$394,517 has been recognised in the profit and loss of Leaf Development LLC as a result of this transaction.

8. 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.

9. Property, plant and equipment

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

	31-Dec-19	30-Jun-19
	\$	\$
Plant and equipment		
Cost	923,430	1,292,355
Accumulated depreciation	(894,264)	(1,263,844)
Total property, plant and equipment	29,166	28,511

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

	31-Dec-19	30-Jun-19
	\$	\$
Plant and equipment		
Opening written down value	28,511	811,574
Additions	3,966	1,161,987
Disposals	-	(344,014)
Depreciation	(3,311)	(1,601,036)
Closing written down value, plant & equipment	29,166	28,511

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

10. 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 2019 and 31 December 2018.

Reconciliation of earnings used in calculating earnings per share	31 Dec 2019 \$	31 Dec 2018 \$
Loss attributable to the parent entity used in the calculation of basic and dilutive EPS	(973,893)	(3,993,119)
Loss attributable to the parent entity	(973,893)	(3,993,119)
Weighted average number of ordinary shares	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	312,115,943	256,701,469
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per shares	312,115,943	256,701,469
Loss per share and Diluted loss per share	(0.31)	(1.56)

11. Calculation of dilutive EPS

As at 31 December 2019 there are 20,821,511 (31 December 2018: 53,187,497) 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 them being anti-dilutive. All equity instruments described could potentially dilute basic earnings per share in the future.

12. Cash and cash equivalents

Cash and cash equivalents include the following components:

	31 Dec 2019 \$	30 June 2019 \$
Cash at bank and in hand		
Cash held in \$AUD	247,393	291,634
Cash held in \$USD (converted to \$AUD)	66	674
Cash held in EURO (converted to \$AUD)	106	1,293
Cash and cash equivalents	247,565	293,601

13. Trade and other receivables

	31-Dec-19 \$	30-Jun-19 \$
Trade receivables	25,233	21,128
Allowance for credit loss	-	-
Net trade receivables	25,233	21,128
GST receivable	-	2,749
Prepayments	44,440	4,171
Accrued income	2,096	2,096
R&D tax incentive receivables	90,528	2,872,071
Total Trade and other receivables	162,297	2,902,215

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 credit loss 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 allowance for credit loss has been made as it is reasonably expected that this amount will be collected in full. The overdue receivables will be settled upon the final rehabilitation of the mining lease held by AQL Mining, therefore there is no allowance for impairment loss.

Trade and or other receivables past due at 31 December 2019

	> 30 days	> 60 days	> 90 days
Trade receivables	\$6,373	\$Nil	\$18,860

14. Trade and other payables

Trade and other payables consist of the following:

	31-Dec-19	30-Jun-19
	\$	\$
Trade payables	888,577	1,213,322
Accruals	74,668	55,823
Other payables	6,841	20,520
Total trade and other payables	970,086	1,289,665

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

15. Borrowings

Borrowings consist of the following:

	31 Dec 2019	30 June 2019
	\$	\$
R&D Finance Loan Payable	-	1,805,000
R&D Loan Interest Payable	-	100,722
Total R&D Loan	-	1,905,722

The Company paid out the loan and interest owing to Radium Capital in full on receipt of the R&D tax rebate in this period.

	31 Dec 2019	30 June 2019
	\$	\$
Promissory notes principle payable	250,000	250,000
Promissory notes interest payable	26,638	9,107
Total Promissory notes	276,638	259,107
Total Borrowings	276,638	2,164,829

On 2 April 2019 the company issued a total of 2,500 unsecured notes with a face value of \$100 each to entities associated with two directors of the company. The notes have a three year term, with a simple interest rate of 14% per annum payable at the end of the term, unless the Company exercises its right to repay the capital and accrued interest earlier or is required to do so under the Note terms. The Company (but not the holder) may elect, in its discretion, to convert the Notes into fully paid ordinary shares instead of repaying the face value and accrued interest.

16. Employee benefits

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

	31 Dec 2019	30 June 2019
	\$	\$
Current		
Leave entitlements	105,371	143,804
Accrued employee salaries	-	105,051
Accrued directors' salaries	55,458	55,833
Total employee benefits	160,829	304,688
Non-Current		
Leave entitlements	638	753
Total non-current employee benefits	638	753
Total employee benefits	161,467	305,441

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.

17. 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 2019 \$	30 June 2019 \$
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.

18. 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 2019 Number	31 Dec 2019 \$	30 June 2019 Number	30 June 2019 \$
Movements in ordinary share capital				
Balance at beginning of financial year	305,206,674	55,749,498	238,993,342	51,128,441
Net share issue	21,799,936	494,470	66,213,332	4,621,057
Net issue under share based payments	Nil	Nil		Nil
Exercised / expired employee options	Nil	Nil		Nil
Total contributed equity	327,006,610	56,243,968	305,206,674	55,749,498

The Company issued shares under a rights issue in the period to 31 December 2019 to increase the working capital of the Group to further the development and commercialisation of the Glycell™ process and to advance a project in Malaysia.

The Company issued shares in September 2019 under a rights issue to existing shareholders at 1 share for each 14 shares held, raising \$545,000 before transaction costs.

19. Reserves

	31 Dec 2019 \$	30 Jun 2019 \$
Employee equity-settled benefits reserve		
Movements:		
Balance at beginning of the financial year	713,630	1,024,550
Cost of share-based payment	21,882	48,872
Value of exercised and lapsed options and rights	-	(359,792)
Balance at the end of the reporting period	735,512	713,630
Share based payments reserve		
Movements:		
Balance at beginning of the financial year	184,664	196,008
Cost of share-based payment	-	15,300
Cost of share-based payments as part of share issue transaction costs	25,399	55,498
Value of exercised and lapsed options and rights	(43,206)	(82,142)
Balance at the end of the reporting period	166,857	184,664
Foreign currency translation reserve		
Movements:		
Balance at beginning of the financial year	24,675	(57,191)
Net gain/(loss) on translation of currency	(1,412)	81,866
Balance at the end of the reporting period	23,263	24,675
Balance of reserves at 31 December 2019	925,632	922,969

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 20 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.

20. Share based payments

During the period the Group undertook no 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 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 2019:

- | | |
|------------------------------------|----------|
| • Employee Share Option Plan | \$21,882 |
| • Employee Performance Rights Plan | \$0 |

21. Commitments and contingent liabilities

The Company has signed an agreement to engage Bioprocess Pilot Facility (BPF), the Netherlands company used for carrying out the integrated demonstration study, for the production of sugar samples from the outputs of the study. The agreement with BPF is for work to the value of €350,000. The work will not commence until funding is received from the Malaysian project.

22. Events subsequent to balance date

Since 31 December 2019 the following matter has arisen which may significantly affect the operations of the Group:

- In February 2020 the board approved a placement of shares to take place this month and a second in May to be concluded by March and June 2020. To date the board has received verbal confirmations for a placement of \$105,000 and has provided those investors with written subscription agreements. We expect to conclude this placement in early March 2020. The Company will continue working its way towards further placements through to June 2020.
- The company can also confirm that the company will execute a Note Subscription Agreement with entities associated with a director, Douglas Rathbone for a total of \$75,000. Subject to shareholder approval, the Note will immediately convert to new shares in the Company at an issue price of 2 cents per share. The Company will advise of a General Meeting to seek shareholder approval shortly.
- On 13 January 2020 the company disclosed to the ASX that it had received notification from the Malaysian Technical Depository Agency (TDA) that Leaf Malaysia's application for funding consideration had been assessed and accepted as complete. The company anticipates TDA will notify the company this calendar year of whether it is successful in funding approvals.

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 2019 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2019 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 2019.

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.

A handwritten signature in black ink, appearing to read 'Doug Rathbone', with a stylized, cursive script.

Doug Rathbone
Chairman
Brisbane, Queensland, Australia
28 February 2020

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 2019, 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 2019, 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 loss of \$973,893 during the half-year ended 31 December 2019 and, had excess current liabilities over current assets of \$1,047,691. 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.

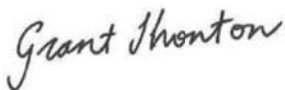
Auditor's responsibility

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 2019 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Leaf Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



M S Bell
Partner – Audit & Assurance

Brisbane, 28 February 2020

Corporate Directory

Board of Directors: Doug Rathbone
Ken Richards
Matthew Morgan
William Baum
Alex Baker

Company Secretary: Tim Pritchard

Managing Director: Alex Baker (appointed 1 February 2019)

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