



LEAF
RESOURCES

SUSTAINABLE PRODUCTS FROM PLANT BIOMASS

Appendix 4E

PRELIMINARY FINAL REPORT

30 June 2020

ABN 18 074 969 056

1. Reporting Period and previous corresponding period.

Reporting period: Year Ended 30 June 2020
 Previous reporting period: Year Ended 30 June 2019

2. Results for announcement to the market.

Key Information

				\$'000
Revenue from ordinary activities	No change			0
(Loss) from ordinary activities after tax attributable to members	Down	83%	to	(1,138)
(Loss) for the period attributable to members	Down	83%	to	(1,138)

The Group's operating loss after tax for the year ended 30 June 2020 amounted to \$1,137,580 (30 June 2019 – loss of \$6,778,388).

Dividends	Amounts per share Cents	Franked amount per share Cents
Final	Nil	N/A
Interim	Nil	N/A
Record date for determining entitlements		N/A

Explanation of results

Refer to section 14.

3. Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2020

		2020 \$	2019 \$
Other income		480,721	3,246,269
Mining lease expenses		(5,799)	(5,024)
Depreciation, amortisation		(6,253)	(1,601,036)
Impairment expense		(125,162)	-
Employee benefits expense		(154,539)	(1,055,326)
Directors' & officers' fees & CEO		(408,716)	(650,315)
Business operation		(79,063)	(124,446)
Finance expense		(110,373)	(251,971)
Professional fees		(239,600)	(607,043)
Investor relations & corporate advisory		(138,921)	(245,807)
Travel and accommodation		(88,747)	(492,296)
Research and development		(114,404)	(3,362,746)
Patent and licence fees		(119,169)	(135,705)
Share of loss of equity accounted associate		(9,032)	(1,477,493)
Other expenses		(18,523)	(15,449)
Loss before income tax		(1,137,580)	(6,778,388)
Income tax expense		-	-
Loss for the year from continuing operations		(1,137,580)	(6,778,388)
Loss from discontinued operations		-	-
Loss for the year		(1,137,580)	(6,778,388)
Other comprehensive income for the year, net of tax		-	-
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		165	81,866
Income tax on items that may be reclassified to profit or loss		-	-
Other comprehensive income for the year, net of tax		165	81,866
Total comprehensive loss for the year		(1,137,415)	(6,696,522)

Consolidated statement of financial position

As at 30 June 2020

		2020 \$	2019 \$
Current Assets			
Cash and cash equivalents		10,725	293,601
Trade and other receivables		198,284	2,902,215
Total Current Assets		209,010	3,195,816
Non-Current Assets			
Investments accounted for using the equity method		-	-
Property, plant and equipment		11,440	28,511
Intangible assets		-	-
Total Non-Current Assets		11,440	28,511
Total Assets		220,449	3,224,327
Current Liabilities			
Trade and other payables		648,268	1,289,665
R&D Financing Payable		-	1,905,722
Promissory Notes Payable		-	259,107
Employee benefits		188,905	304,688
Provisions		50,000	50,000
Total Current Liabilities		887,172	3,809,182
Non-Current Liabilities			
Employee benefits		695	753
Total Non-Current Liabilities		695	753
Total Liabilities		887,868	3,809,935
Net Assets		(667,418)	(585,608)
Equity			
Issued capital		56,757,178	55,749,498
Reserves		910,315	922,969
Accumulated losses		(58,334,911)	(57,258,075)
Total Equity		(667,418)	(585,608)

4. Consolidated statement of cash flows

For the year ended 30 June 2020

	2020 \$	2019 \$
Operating activities		
Receipts from customers	-	353,655
Government Income	59,061	-
Payments to suppliers & employees	(1,812,928)	(6,583,852)
Interest received	164	544
Interest paid	(190,558)	-
R&D tax incentive refund	2,827,883	961,192
Net cash from operating activities	883,622	(5,268,461)
Investing activities		
Payments for investment in equity accounted joint venture	(8,849)	(1,027,165)
Purchase of property, plant and equipment	(3,966)	(700,380)
Net cash from investing activities	(12,815)	(1,727,545)
Financing activities		
Proceeds from issue of share capital	602,197	4,966,000
Share issue transaction costs	(25,880)	(289,445)
Proceeds from borrowings	75,000	2,055,000
Repayments of borrowings	(1,805,000)	-
Net cash from / (used in) financing activities	(1,153,683)	6,731,555
Net (decrease)/increase in cash and cash equivalents	(282,876)	(264,451)
Cash and cash equivalents at the beginning of the financial year	293,601	558,052
Cash and cash equivalents at the end of the financial year	10,725	293,601

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

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 year ended 30 June 2020	-	(1,137,580)	-	-	(1,137,580)
Other comprehensive income				165	165
Total comprehensive loss for the year		(1,137,580)		165	(1,137,415)
Shares issued	1,086,850			-	1,086,850
Share issue transactions costs	(79,170)		40,539	-	(38,631)
Share based payments			7,386	-	7,386
Cost of share based payments - lapsed options and rights		60,744	(60,744)	-	-
As at 30 June 2020	56,757,178	(58,334,911)	885,475	24,840	(667,418)

6. No dividends or distribution payments have been made during the year.

8. No dividend or distribution reinvestment plans are in operation.

9. Net Tangible Assets.

	Current Year	Previous Year
Net tangible asset backing per ordinary share	(0.19) cents	(0.19) cents

10. Details of entities over which control has been granted or lost.

Control gained over entities

N/A

Control lost over entities

Leaf Malaysia OpCo Sdn. Bhd

In Sept 2019 Leaf Malaysia issued shares equivalent to 51% to Agrimart Sdn. Bhd

11. Details of associates and joint venture entities.

Name Unlisted:	Principal activities	Country of incorporation	Class of shares	Ownership interest	
				2020 %	2019 %
AQL Mining Pty Ltd	Mining of gravel and general fill	Australia	Ord	100	100
Farmacule BioIndustries Pty Ltd	Research & development	Australia	Ord	100	100
Leaf Sciences Pty Ltd	Intellectual property owner	Australia	Ord	100	100
Leaf Research Pty Ltd	Research & development	Australia	Ord	100	100
Leaf Performance Plan Pty Ltd	Trustee of employee share trust	Australia	Ord	100	100
Leaf Resources USA, LLC	Investor in Leaf Development, LLC	USA	Ord	100	100
Subsidiaries of Leaf Resources USA, LLC					
Leaf Development LLC	Investment Company	USA	Ord	80	80
Subsidiaries of Leaf Development LLC					
Leaf Malaysia OpCo Sdn. Bhd.	Investment Company	Malaysia	Ord	49	80

12. Going concern note / Significant information.

Refer to section 14 below

13. Foreign entities.

Leaf Resources USA, LLC, Leaf Development LLC, Leaf Malaysia OpCo Sdn. Bhd

14. Commentary on the results for the period.

MALAYSIAN PROJECT

In September 2019, 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 an essential step 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. In 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).

The TDA process, the second stage is to seek to match Leaf's proposed Malaysian biorefinery project with the ICP program and Malaysian government procurement obligations.

QUEENSLAND PROJECT/GEVO

Also In September 2019, 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. This program also worked along side the Queensland project development that started in January 2020.

COVID PANDEMIC IMPACT

The impact of COVID-19, including the shut-down of business activity and travel both domestically and internationally around the globe, led to a level of global uncertainty, which continues to impact economies worldwide, disrupt government programs and has had a direct impact on leaf operation. In response to the global economic impact of COVID-19, the directors recently approved to suspend Directors' fees and modified the CEO's wages down substantially. Business operations have been reduced to focus resources and preparedness for progressing the projects and technology as conditions begin to return to normal. Leaf was able to access the ATO boost and Job Keeper programs that provided some additional funds for the period.

Both the Malaysian and Local Queensland projects were temporarily curtailed continuing through the last 2 quarters as per above. The Company will continue to review those projects when circumstances allow. Business and government activity in Malaysia are recommencing, however all foreign nationals, with very limited exceptions, are restricted from entry to Malaysia until August 31. The Company is awaiting an update from the TDA regarding the applications status.

ESSENTIAL QUEENSLAND TRANSACTION

The transaction with Essential Queensland, announced on the 16th July 2020, continues to progress with the considerable administrative details being attended to. A submission was made to the ASX requesting relief from some of the requirements of full re-compliance as per the listing rules, on the basis that the Directors of both companies believe that both companies are essentially in the same business. Unfortunately, the Company was unable to convince the ASX of this and consequently have:

- Appointed an Independent Expert for the Independent Expert's report
- Appointed an Investigating Accountant
- Appointed Auditors for Essential Queensland accounts
- Started drafting a comprehensive Notice of Meeting
- Started drafting a prospectus and undertaking the requisite legal due diligence for that document

This will all culminate in the shareholders meeting to be held sometime in late October or early November with completion, should shareholders vote in favor of the transaction, shortly after that.

Essential Queensland Pty Ltd (EQ) is currently constructing an initial 8000 tonne per annum output (terpene & rosin) commercial scale pine chemical extraction plant at the Apple Tree Creek site near Hervey Bay Queensland. Commissioning of the plant is scheduled for October 2020.

All the structural concrete is now complete, and the main plant structure is up and painted. Completion of sealing the chemicals storage bund and the cooling tower bund is on track. EQ's main chipper is in now in place with the remainder of the wood preparation equipment having arrived in port on the 9th August.

As background, EQ has developed a new natural extractive process to treat pine logs producing high quality, clean gum rosin and terpenes at significantly lower cost than existing global supply.

Pine rosin and terpenes are used in a multitude of consumer products touching almost all spheres of our consumer lives, from perfumes and cosmetics to food additives, adhesives, disinfectants, synthetic rubbers to automobiles and printing inks.

EQ expects market demand and price of Pine Chemicals to continue to grow in line with worldwide demand for sustainable renewable chemicals. This view is supported by diminishing sources of supply of pine chemicals due to high cost of extraction and inefficient “old world” supply practices, particularly the high labour-based tree tapping production methods.

Full operating capacity of the commercial plant is expected by April 2021. Once the initial plant is established, the Company has both brown field expansion opportunities and has already identified suitable areas for new greenfield operations both domestically and internationally.

Leaf and EQ technologies enable the replacement of petroleum-based chemicals and plastics with the aim of moving society towards the bio economy. EQ and Leaf have highly aligned goals and aims. Both Leaf and EQ:

- (a) focus on sustainable and renewable products produced from woody biomass; and
- (b) possess proprietary organic solvent extraction technologies.

14.1 Earnings per share

	2020	2019
EPS (cents)	(0.35)	(2.34)
Dividends (cents/share)	-	-
Net profit/(loss) (\$)	(1,137,580)	(6,778,388)
Share price (\$)	0.02	0.03

14.2 Returns to shareholders including distributions and buy backs – refer to section above.

14.3 Significant features of operating performance – refer above.

14.4 The results of segments that are significant to an understanding of the business as a whole

The business operates in only one segment.

14.5 A discussion of trends in performance – refer above.

14.6 Unless otherwise explicitly stated above or in the financial statements and the notes to the financial statements there are no other significant factors that could not be quantified.

15. Audit

This report is based on the financial statements which are in the process of being audited; it is anticipated that the Audit Opinion will be unqualified with an emphasis of matter paragraph with respect to going concern.



Tim Pritchard
Company Secretary

Date: 31 August 2020