

LEAF RESOURCES LIMITED

ACN 074 969 056

PROSPECTUS

For an offer of up to 150,000,000 Shares at an issue price of \$0.02 per Share to raise up to \$3,000,000 (Offer).

The Prospectus also contains the Secondary Offers detailed in Section 4.2 of this Prospectus.

The Offers are conditional upon satisfaction of the Conditions, which are detailed further in Section 4.8. No Shares will be issued pursuant to this Prospectus until those Conditions are met.

This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy ASX requirements for re-admission to the Official List following a change in nature and scale of the Company's activities.

Lead Manager

The Company has appointed Sequoia Corporate Finance Pty Ltd (a Corporate Authorised Representative No 469074 of Sequoia Wealth Management Pty Limited, AFSL No. 472387) to act as Lead Manager to the Offer. Further details regarding the Lead Manager are set out in Section 9.1.1.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If, after reading this Prospectus you have questions about the Securities being offered under this Prospectus or any other matter, then you should consult your professional advisers without delay.

The Securities offered by this Prospectus should be considered as highly speculative.

STEINPREIS PAGANIN
Lawyers & Consultants



IMPORTANT NOTICE

This Prospectus is dated 16 November 2020 and was lodged with the ASIC on that date. The ASIC, the ASX and their officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Securities subject of this Prospectus should be considered as highly speculative.

No offering where offering would be illegal

The distribution of this Prospectus in jurisdictions outside Australia or New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia or New Zealand should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. It is important that investors read this Prospectus in its entirety and seek professional advice where necessary.

No action has been taken to register or qualify the Securities or the Offers, or to otherwise permit a public offering of the Securities in any jurisdiction outside Australia or New Zealand. This Prospectus has been prepared for publication in Australia and New Zealand and may not be released or distributed in the United States of America.

Information for New Zealand Residents

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This Offer and the content of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the regulations made under that Act set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the

financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

US securities law matters

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the US. In particular, the Securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the **US Securities Act**), and may not be offered or sold in the US or to, or for the account or benefit of, US Persons (as defined in Regulation S under the US Securities Act) or an exemption is available from the registration requirements of the US Securities Act.

Each applicant will be taken to have represented, warranted and agreed as follows:

- (a) it understands that the Securities have not been, and will not be, registered under the US Securities Act and may not be offered, sold or resold in the US, except in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable securities laws;
- (b) it is not in the US;
- (c) it has not and will not send this Prospectus or any other material relating to the Offer to any person in the US; and
- (d) it will not offer or sell the Securities in the US or in any other jurisdiction outside Australia or New Zealand except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which the Securities are offered and sold.

Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at www.leafresources.com.au. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian or New Zealand resident and must

only access this Prospectus from within Australia or New Zealand.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company by phone on +61 7 3188 9040 during office hours or by emailing the Company at info@leafresources.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

Company Website

No document or other information available on the Company's website is incorporated into this Prospectus by reference.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued under the Prospectus. This means that, in most circumstances, you cannot withdraw your application once it has been accepted.

No Investment Advice

The information contained in this Prospectus is not financial product advice or investment advice and does not take into account your financial or investment objectives, financial situation or particular needs (including financial or taxation issues). You should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding to subscribe for Shares under this Prospectus to determine whether it meets your objectives, financial situation and needs.

Risks

You should read this document in its entirety and, if in any doubt, consult your professional advisers before deciding whether to apply for Shares. There are risks associated with an investment in the Company. The Securities offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Securities. Refer to Section D of the Investment Overview as well as Section 7 for details relating to some of the key risk

factors that should be considered by prospective investors. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and the Company's management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 7.

Financial Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

Continuous disclosure obligations

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Securities.

Price sensitive information will be publicly released through ASX before it is disclosed to Shareholders and market participants. Distribution of other information to Shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will apply to participate in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

Photographs and Diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are

illustrative only and may not be drawn to scale.

Definitions and Time

Unless the contrary intention appears or the context otherwise requires, words and phrases contained in this Prospectus have the same meaning and interpretation as given in the Corporations Act and capitalised terms have the meaning given in the Glossary in Section 12.

All references to time in this Prospectus are references to Australian Eastern Standard Time as observed in Brisbane, Queensland.

Privacy statement

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate

communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your Shares in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not

provide the information required on the application for Shares, the Company may not be able to accept or process your application.

Use of Trademarks

This Prospectus includes the Company's registered and unregistered trademarks.

All other trademarks, tradenames and service marks appearing in this Prospectus are the property of their respective owners.

Enquiries

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult with your broker or legal, financial or other professional adviser without delay. Should you have any questions about the Offers or how to accept the Offer please call the Company Secretary on +61 7 3188 9040.

CORPORATE DIRECTORY

Current Directors

Doug Rathbone¹
Non-Executive Chairman

Alex Baker²
Managing Director

Ken Richards³
Non-Executive Director

Matt Morgan⁴
Non-Executive Director

Bill Baum²
Non-Executive Director

Proposed Directors⁵

Ramon (Ray) Mountfort
Proposed Managing Director

Grant Yeatman
*Proposed Executive Director and
Chief Operating Officer*

Terence Gray
Proposed Non-Executive Director

Company Secretary

Tim Pritchard

Current and Proposed ASX Code

LER

Lead Manager

Sequoia Corporate Finance Pty Ltd
Level 8, 525 Flinders Street
MELBOURNE VIC 3000

Registered Office

Level 1, 27 James Street
FORTITUDE VALLEY QLD 4006

Telephone: +61 7 3188 9040

Email: info@leafresources.com.au

Website: www.leafresources.com.au

Investigating Accountant

William Buck Audit (Vic) Pty Ltd
Level 20, 181 William Street
MELBOURNE VIC 3000

Auditor⁶

Grant Thornton Audit Pty Ltd
King George Central
Level 18, 145 Ann Street
BRISBANE QLD 4000

Solicitors to the Offer

Steinepreis Paganin
Level 4, 50 Market Street
MELBOURNE VIC 3000

Patent and Trade Mark Attorneys

Spruson & Ferguson
Level 6, 175 Eagle Street
BRISBANE QLD 4000

Share Registry⁶

Link Market Services Limited
Level 21, 10 Eagle Street,
BRISBANE QLD 4000

Notes:

1. On completion of the Acquisition Mr Rathbone will resign as Chairman, however will remain a Non-Executive Director of the Company.
2. Mr Baker and Mr Baum will resign as Directors on completion of the Acquisition and will be engaged as consultants to the Company to form an advisory board reporting to the Board of Directors of the Company.
3. Mr Richards will be appointed as Chairman on completion of the Acquisition.
4. Mr Morgan will resign as a Director on completion of the Acquisition.
5. To be appointed as Directors, subject to Shareholder approval to be obtained at the General Meeting, with effect from completion of the Acquisition.
6. These entities have been included for information purposes only. They have not been involved in the preparation of this Prospectus.

TABLE OF CONTENTS

1.	PROPOSED CHAIRMAN'S LETTER	1
2.	KEY OFFER AND REINSTATEMENT INFORMATION	3
3.	INVESTMENT OVERVIEW	7
4.	DETAILS OF THE OFFERS	19
5.	COMPANY AND EQ OVERVIEW	25
6.	FINANCIAL INFORMATION	42
7.	RISK FACTORS	60
8.	BOARD, MANAGEMENT AND CORPORATE GOVERNANCE	68
9.	MATERIAL CONTRACTS	79
10.	ADDITIONAL INFORMATION	88
11.	DIRECTORS' AUTHORISATION	106
12.	GLOSSARY	107
	ANNEXURE A – INDEPENDENT LIMITED ASSURANCE REPORT	110
	ANNEXURE B – INTELLECTUAL PROPERTY REPORT	111
	APPLICATION FORM	112

1. PROPOSED CHAIRMAN'S LETTER

Dear Investor

On behalf of the directors of Leaf Resources Limited (**Company**), I am delighted to invite you to increase your existing shareholding or to become a new Shareholder of the Company.

As announced on 16 July 2020, the Company will enter into agreements to acquire Essential Queensland Pty Ltd (ACN 617 150 320) (**EQ**). EQ is a sustainable, renewable, pine chemical producer that utilises a proprietary, patent pending, organic solvent extraction technology to produce rosin and terpenes.

Pine rosin and terpenes are used in a multitude of consumer products, touching many spheres of our daily consumer lives, including perfumes, cosmetics, food additives, adhesives and printing inks.

From my perspective, the key advantages of the potential acquisition of EQ and its technology includes the bringing together of two highly compatible technologies for the purpose of producing sustainable and renewable products that are extracted from woody biomass. I am of the belief that the combined technologies create a stronger position to address large and growing global markets for renewable chemicals markets.

Furthermore, on completion of the Acquisition the Company will acquire the Apple Tree Creek Plant. In 2019, EQ commissioned a pilot plant with 4,000 tonne pine chemical production per annum at its Apple Tree Creek site in Isis Central, Queensland. The Apple Tree Creek Plant is in the process of being reconstructed to produce 8,000 tonnes of pine chemical productions per annum. The Apple Tree Creek Plant is expected to start commissioning in December 2020, with full operating capacity expected to be achieved in June 2021.

On completion of the Acquisition, the current directors of EQ, being Ray Montfort, Grant Yeatman and Terry Gray, will join the Board of the Company, bringing with them years of experience and know-how in the industry. Doug Rathbone and I will also remain on the Board.

Alex Baker, the Company's current Managing Director, and Bill Baum, the Company's US-based Director, will also resign on completion of the Acquisition. However, Mr Baker and Mr Baum will remain involved with the Company moving forward by being appointed to the Company's advisory board. This advisory board is highly suited to the combined operations of the merged group with relevant experience, worldwide contacts, processing knowledge and strong financial skills. It is also intended that Mr Baker will be engaged by the Company in a consultancy capacity.

Matt Morgan, a long serving Director of the Company, will also retire on completion of the Acquisition.

Under this Prospectus, the Company is seeking to raise a maximum of \$3,000,000 through an offer of up to 150,000,000 Shares at an issue price of \$0.02 per Share (**Offer**). The purpose of the Offer is to provide funds is primarily to complete the construction of the Apple Tree Creek Plant, which will be acquired by the Company on completion of the Acquisition.

It is my firm belief that on completion of the Offer and the Acquisition, the consolidated group has a wonderful opportunity to become a significant renewable chemicals company on the world stage, with sites not just in Queensland, but throughout Australia and around the world. Please join us on this exciting journey by participating in the Offer.

Yours sincerely

Ken Richards
Proposed Chairman

2. KEY OFFER AND REINSTATEMENT INFORMATION

INDICATIVE TIMETABLE¹

Lodgement of Prospectus with the ASIC	16 November 2020
Opening Date of Offers	16 November 2020
General Meeting to approve the Acquisition Resolutions	27 November 2020
Closing Date of Offers	30 November 2020
Issue of Securities under the Offers	8 December 2020
Despatch of holding statements	9 December 2020
Settlement of the Acquisition ²	9 December 2020
Satisfaction of the final Conditions	15 December 2020
Expected date for quotation on ASX and re-admission to Official List	21 December 2020

Notes:

1. The above dates are indicative only and may change without notice. Unless otherwise indicated, all time given are EST. The Exposure Period may be extended by the ASIC by not more than 7 days pursuant to section 727(3) of the Corporations Act. The Company reserves the right to extend the Closing Date or close the Offer early without prior notice. The Company also reserves the right not to proceed with the Offers at any time before the issue of Securities to applicants.
2. The above stated date for Settlement of the Acquisition is a good faith estimate by the Directors and may be extended.
3. If the Offers are cancelled or withdrawn before completion of the Offers, then all application monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their applications as soon as possible after the Offers open.

KEY STATISTICS OF THE OFFER

	Full Subscription (\$3,000,000)
Offer Price per Share	\$0.02
Shares currently on issue	301,810,982 ¹
Options currently on issue	10,602,663 ²
Shares to be issued under the Offer	150,000,000
Other Shares to be issued subject to the Acquisition Resolutions ³	1,039,012,433
Gross Proceeds of the Offer	\$3,000,000
Shares on issue Post Re-Listing (undiluted)^{4,5}	1,490,823,415
Market Capitalisation Post Re-Listing (undiluted)⁶	\$29,816,468
Options to be issued under the Options Offer ⁷	34,455,861
Performance Rights to be issued under the Performance Rights Offer ⁸	33,000,000
Shares on issue Post Re-Listing (fully diluted)^{4,5}	1,568,881,939
Market Capitalisation Post Re-Listing (fully diluted)⁶	\$31,377,639

Notes:

1. Subject to the completion of the Consolidation and subject to rounding.

2. Comprising on a post-Consolidation basis:
 - (a) 1,323,495 unlisted Options each exercisable at \$0.1618 each on or before 15/07/21;
 - (b) 2,550,000 unlisted Options each exercisable at \$0.1706 each on or before 23/12/21;
 - (c) 1,700,000 unlisted Options each exercisable at \$0.2588 each on or before 23/12/21;
 - (d) 680,000 unlisted Options each exercisable at \$0.2588 each on or before 03/07/22;
 - (e) 283,334 unlisted Options each exercisable at \$0.1765 each on or before 19/3/23;
 - (f) 665,834 unlisted Options each exercisable at \$0.1765 each on or before 22/5/23;
 - (g) 1,275,000 unlisted Options each exercisable at \$0.1765 each on or before 14/09/23;
 - (h) 1,275,000 unlisted Options each exercisable at \$0.1765 each on or before 01/02/24;
and
 - (i) 850,000 unlisted Options each exercisable at \$0.2941 each on or before 01/04/24.
3. Comprising:
 - (a) 1,017,258,033 Consideration Shares;
 - (b) 11,754,400 Debt Conversion Shares; and
 - (c) 10,000,000 Advisor Shares.

The issue of these Shares is subject to the passing of the Acquisition Resolutions at the General Meeting. Refer below for further details.
4. Certain Shares on issue post re-listing will be subject to ASX-imposed escrow. Refer to Section 5.12 for a disclaimer with respect to the likely escrow position.
5. The Company notes that in accordance with the Lead Manager Mandate, the Company may issue up to 3,250,000 Shares to Sequoia in consideration for corporate advisory services to be provided by Sequoia following completion of the Offer. The issue of Shares is subject to Sequoia electing to receive part of the corporate advisory fee in Shares in lieu of cash. Refer to Section 9.1.1 for a summary of the terms and conditions of the engagement of Sequoia and the issue of Shares to Sequoia.
6. Assuming a Share price of \$0.02, however the Company notes that the Shares may trade above or below this price.
7. Refer to Section 10.3 for the terms of the Consideration Options.
8. Refer to Section 10.4 for the terms of the Consideration Performance Rights.

THE ACQUISITION AND A CHANGE IN NATURE AND SCALE OF ACTIVITIES AND RE-COMPLIANCE WITH CHAPTERS 1 AND 2 OF THE ASX LISTING RULES

On 16 July 2020, the Company announced that it was proposing to acquire all of the shares of Essential Queensland Pty Ltd (ACN 617 150 320) (**EQ**), an Australian proprietary company which operates a sustainable pine chemical business (**Acquisition**).

On the same date, trading in the Company's Securities was suspended and will remain suspended until the Company re-complies with Chapters 1 and 2 of the ASX Listing Rules following completion of the Acquisition.

ASX requires the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules. This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy the ASX requirements for re-admission to the Official List following a change in nature and scale of the Company's activities.

There is a risk that the Company may not be able to meet the requirements of ASX for re-admission to the Official List. In the event the Conditions are not satisfied or the Company does not receive conditional approval for re-admission to the Official List (**Conditional Approval**), then the Company will not proceed with the Offers and will repay all Application monies received.

BACKGROUND TO THE ACQUISITION

The Company has entered into a binding share sale agreement with Ramon Mountfort and Shirley Mountfort ATF Mounties1 Family Trust (**Founder Shareholder**), under which the Company agreed to acquire all of the shares of EQ (**EQ Shares**) held by the Founder Shareholder (comprising 58.07% of the EQ Shares) (**Founder Shareholder SSA**).

The company will enter into binding share and sale agreements with each of the other shareholders of EQ (**Minority Shareholders**), under which the Company has agreed to acquire the remaining 41.93% of the EQ Shares (**Minority Shareholder SSA's**).

For further details relating to the Founder Shareholder SSA and the Minority Shareholder SSA's, refer to Sections 9.2.1 and 9.2.2 respectively.

GENERAL MEETING

At the meeting of Shareholders to be held on 27 November 2020 (**General Meeting**), the Company is seeking to obtain Shareholder approval for:

- (a) the Acquisition, if successfully completed, will constitute a significant change in the nature and scale of the Company's activities, for which Shareholder approval is required under ASX Listing Rule 11.1.2;
- (b) the consolidation of the Company's Securities on a 20:17 basis (**Consolidation**);
- (c) the issue of the following Securities to the Founder Shareholder and the Minority Shareholders (together, the **Vendors**):
 - (i) 1,017,258,033 Shares (**Consideration Shares**);
 - (ii) 34,455,861 Options (**Consideration Options**); and
 - (iii) 33,000,000 Performance Rights (**Consideration Performance Rights**),(together, the **Consideration Securities**);
- (d) the Founder Shareholder (or its nominee), a Vendor, increasing its voting power in the Company from 0% to 40.32% as a result of receiving 590,700,000 of the Consideration Shares;
- (e) to issue 150,000,000 Shares at \$0.02 per Share under the Offer to raise \$3,000,000;
- (f) approval for the issue of 10,000,000 Shares to Tegis Pty Ltd, the Company's corporate advisor (**Advisor Shares**);
- (g) approval for the conversion of amounts owed by the Company to its Directors into Shares (**Debt Conversation Shares**);
- (h) the appointment of Messrs Terence Gray, Ray Mountfort and Grant Yeatman (together, the **Proposed Directors**) as Directors of the Company upon completion of the Acquisition; and

- (i) the adoption of the Performance Rights and Options Plan (which is summarised in Section 10.5),

(together, the **Acquisition Resolutions**).

Each Acquisition Resolution is conditional upon the passing of each other Acquisition Resolution. If any of the Acquisition Resolutions are not approved by Shareholders, all of the Acquisition Resolutions will fail and completion of the Acquisition will not occur.

The Company is also seeking Shareholder approval to adopt a new constitution at the General Meeting, however this resolution is not an Acquisition Resolution.

CONSOLIDATION

Unless stated otherwise, all references to the Company's Securities as set out in this Prospectus are on a post-Consolidation basis.

3. INVESTMENT OVERVIEW

This Section is a summary only and is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

Item	Summary	Further information
A. Company		
Who is the issuer of this Prospectus?	Leaf Resources Limited (ACN 074 969 056) (Company or Leaf).	Section 5.1
Who is the Company?	The Company is an Australian listed public company, incorporated in 1996. Since incorporation, the Company has focused on converting non-food plant biomass into useful, sustainable, renewable products. Leaf's technology is capable of delivering an essential ingredient to produce renewable chemicals and biodegradable and recyclable biomaterials.	Section 5.1
Why is the Company suspended from trading on the Official List of the ASX?	On 16 July 2020, the Company announced that it was proposing to acquire 100% of the issued capital of Essential Queensland Pty Ltd (ACN 617 150 320) (EQ), an Australian proprietary company which operates a sustainable pine chemical business (Acquisition). On the same date, trading in the Company's Securities was suspended and will remain suspended until the Company re-complies with Chapters 1 and 2 of the ASX Listing Rules following completion of the Acquisition.	Sections 2 and 4
Who is EQ?	EQ is an Australian proprietary company which operates a sustainable pine chemical business and manufactures gum rosin and gum turpentine from pine trees. EQ was established in early 2017 to develop and commercialise sustainable extraction and processing technology to produce pine chemicals. Since establishment, EQ has developed a proprietary process to extract rosin and terpenes from pine logs, producing high quality, clean rosin and terpenes which are used in a multitude of consumer products, including perfumes, cosmetics, food additives, adhesives, disinfectants, synthetic rubbers and printing inks.	Section 5.2
What is the Apple Tree Creek Plant?	In 2019, EQ commissioned a pilot plant with and successfully produced pine chemical production per annum at its Apple Tree Creek site in Isis Central, Queensland.	Section 5.2.2

Item	Summary	Further information
	In March 2020, after successful pilot plant trials, EQ began to dismantle the pilot plant to make way for the new commercial plant on the same site (Apple Tree Creek Plant). The Apple Tree Creek Plant began reconstruction in June 2020 and is intended to produce 8,000 tonnes of pine chemical productions per annum. The new fully funded Apple Tree Creek Plant is expected to start commissioning in December 2020, with full operating capacity expected to be achieved in June 2021.	
B. Business Model		
What is the Company's business model?	<p>Following completion of the Offer, the Company's proposed business model will involve the processing of pine logs into pine chemicals, which are sold to downstream vendors and selling agents into a commodity market.</p> <p>The Company proposes to fund its activities over the first two years following re-listing as outlined in the table at Section 5.9.</p> <p>A detailed explanation of the Company's business model is provided at Section 5.4.</p>	Section 5.4
What are the key business objective of the Company?	<p>The Company's main objective on completion of the Offer and ASX re-listing is to complete the construction of the Apple Tree Creek Plant, to commence production and then to optimise the operation of the Plant.</p> <p>Commissioning of the plant is scheduled to begin in December 2020, with first production expected in January 2021. The Company anticipates a production run rate of 8,000 tonnes per annum to be achieved by June 2021.</p> <p>Once the Apple Tree Creek Plant is commissioned, the Company will work concurrently to achieve a planned annual production rate of 8,000 tonnes and begin optimisation of the Plant, adding control loops and automation to enhance and expand production rates.</p> <p>The Directors and Proposed Directors are satisfied that on completion of the Offer, the Company will have sufficient working capital to carry out this objective.</p>	Section 5.4
What are the key dependencies of the Company's business model?	<p>The key dependencies of the Company's business model include:</p> <ul style="list-style-type: none"> (a) completing the Offer and the Acquisition; (b) the Company's re-instatement of trading on the Official List; (c) completing the construction of the Apple Tree Creek Plant; (d) having cost effective access to dormant reserves of pine plantation logs and or stumps in Queensland and other managed plantations as the Company grows; (e) the valuable know-how and process to achieve high yields through log 	Section 5.6

Item	Summary	Further information
	<p>selection, splitting and plant scale up to extract the pine chemicals at the lowest possible cost;</p> <p>(f) the use and development of continuous process manufacturing utilising best available technologies and pricing;</p> <p>(g) the use of Mr Ray Mountfort's, the founder of EQ, multi-national experience to enable the establishment of the first commercial plant and subsequent projects;</p> <p>(h) partnering with customers (or otherwise) to upgrade rosin and terpenes to high value specialty chemicals and optimise the supply chain to provide lowest cost end product;</p> <p>(i) leveraging unique product benefits and knowledge of the pine chemical markets to sell into the highest value markets;</p> <p>(j) adopting a modular approach to growing production to ensures that the Company will not over capitalise or overreach management resources too early, but grow within the Company's internal capabilities and return on capital targets;</p> <p>(k) there being a sufficient worldwide demand for rosin and turpentine; and</p> <p>(l) the market price of rosin and turpentine remaining higher than the Company's costs of any future production.</p>	
What is the Company's growth strategy?	The Directors and Proposed Directors believe that the Apple Tree Creek Plant and Leaf and EQ's combined technologies add value to forest owners and can be repeated in all major pine forests that are logged sustainably on long term (30 year) rotations. The Company also believes that there is the potential for multiple sites and plants in both Australia and international locations.	Section 5.7
C. Key Advantages		
What are the key advantages of an investment in the Company?	<p>The Directors are of the view that an investment in the Company provides the following non-exhaustive list of advantages:</p> <p>(a) subject to raising the Minimum Subscription, the Company will have sufficient funds to complete construction of, commence production from and optimise the Apple Tree Creek Plant;</p> <p>(b) a highly credible and experienced team to accelerate the potential development of the Apple Tree Creek Plant; and</p>	Section 5

Item	Summary	Further information
	(c) a proprietary process the gives the Company significant advantages in the production of pine chemicals.	
D. Key Risks		
Completion risk	<p>Subject to the execution of each of the Acquisition Agreements, the Company will agree to acquire 100% of the issued capital of EQ, completion of which is subject to the fulfilment of certain conditions.</p> <p>The Company notes that as at the date of the Prospectus, not all of the Minority Shareholder SSA's have been executed.</p> <p>As such, there is a risk that:</p> <p>(a) not all of the Minority Shareholder SSA's will be executed; or</p> <p>(b) if all the Acquisition Agreements are executed, the conditions for completion of the Acquisition cannot be fulfilled,</p> <p>and, in turn, that completion of the Acquisition of EQ does not occur.</p> <p>If the Acquisition is not completed, the Company will incur costs relating to advisors and other costs without any material benefit being achieved.</p>	Section 7.2
Re-Quotation of Shares on ASX	<p>Undertaking the Acquisition constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the Official List of ASX.</p> <p>There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.</p>	Section 7.2
Patent Risk	<p>Securing rights to intellectual property, and in particular patents, is an integral part of securing potential product value from the outcomes of pharmaceutical research and development. Competition in retaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to expensive and lengthy patents disputes for which there can be no guaranteed outcome.</p> <p>The granting of a patent does not guarantee that the rights of others are not infringed nor that competitors will not develop competing intellectual property that circumvents such patents. The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties.</p> <p>Although the Company is not aware of any third party interests in relation to the intellectual</p>	Section 7.2 and Annexure B

Item	Summary	Further information
	<p>property rights of the intellectual property, and has taken steps to protect and confirm its interest in these rights, there is always a risk of third parties claiming involvement in technological and medical discoveries, and if any disputes arise, they could adversely affect the Company.</p> <p>Although the Company will implement all reasonable endeavours to protect its intellectual property, there can be no assurance that these measures have been, or will be sufficient.</p> <p>For further details relating to Leaf and EQ's intellectual property rights, refer to the Intellectual Property Report at Annexure B.</p>	
Coronavirus (COVID-19)	<p>The outbreak of the coronavirus disease (COVID-19) is impacting global economic markets. The nature and extent of the effect of the outbreak on the performance of the Company remains unknown. The Company's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. Further, any governmental or industry measures taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the Company.</p> <p>The Directors are monitoring the situation closely and have considered the impact of COVID-19 on the Company's business and financial performance. However, the situation is continually evolving, and the consequences are therefore inevitably uncertain.</p>	Section 7.4
Other risks	For additional specific risks please refer to Section 7.2. For other risks with respect to the industry in which the Company operates and general investment risks, many of which are largely beyond the control of the Company and its Directors, please refer to Sections 7.3 and 0.	Sections 7.2, 7.3 and 7.4
E. Directors and Key Management Personnel		
Who are the Directors and Proposed Directors?	<p>On completion of the Acquisition, it is proposed that:</p> <ul style="list-style-type: none"> (a) current Directors Mr Alex Baker, Mr William Baum and Mr Matt Morgan will resign; (b) current Chairman Mr Doug Rathbone will remain as a Non-Executive Director; (c) current Director Mr Ken Richards will be appointed as Non-Executive Chairman; (d) Proposed Directors Mr Ray Mountfort and Mr Grant Yeatman will be appointed as Executive Directors; and (e) Proposed Director Mr Terence Gray will be appointed as a Non-Executive Director. <p>The profiles for current directors Mr Doug Rathbone and Mr Ken Richards as well as profiles of the Proposed Directors are set out in Section 8.1.</p> <p>Profiles for Mr Alex Baker and Mr William Baum are set out in Section 8.2.</p>	Sections 8.1 and 8.2

Item	Summary	Further information
What are the significant interests of Directors and Proposed Directors in the Company?	<p>The Directors and Proposed Directors'</p> <p>(a) current and proposed remuneration; and</p> <p>(b) interest in Securities as at the date of this Prospectus and post-completion of the Offers and the Acquisition,</p> <p>are set out in Section 8.4.</p>	Section 8.4
What is the Performance Rights and Option Plan?	<p>At the General Meeting, Shareholders will be asked to approve the adoption of the employee incentive scheme titled "Incentive Performance Rights and Options Plan" (Plan) and for the issue of Performance Rights and Options under the Plan in accordance with Listing Rule 7.2 (Exception 13(b)).</p> <p>The objective of the Plan is to attract, motivate and retain key employees and the Company considers that the adoption of the Plan and the future issue of Performance Rights or Options under the Plan will provide selected employees with the opportunity to participate in the future growth of the Company.</p> <p>The terms and conditions of the Plan are set out in Section 10.5.</p>	Section 10.5
What related party agreements are the Company party to?	<p>Corporate Advisory Mandate</p> <p>The Company has entered into a corporate advisory mandate with Tegis (Corporate Advisory Mandate), under which Tegis will provide corporate, M&A and general corporate advisory support in respect of the Acquisition.</p> <p>Tegis is a related party of the Company by virtue of being an entity controlled by Mr Terence Gray, a Proposed Director.</p> <p>The Corporate Advisory Mandate will terminate on completion of the Acquisition.</p> <p>The material terms of the Corporate Advisory Mandate are set out in Section 9.1.2.</p> <p>Founder Shareholder SSA</p> <p>The Company has entered into the Founder Shareholder SSA with the Founder Shareholder, an entity controlled by Mr Ray Mountfort.</p> <p>The Founder Shareholder is a related party of the Company by virtue of being by Mr Mountfort, a Proposed Director.</p> <p>The material terms of the Founder Shareholder SSA are summarised in Section 9.2.1.</p> <p>Minority Shareholder SSA's</p> <p>The following parties will enter into Minority Shareholder SSA's:</p> <p>(a) Mr Terence Gray (in his personal capacity) and Terence Gray and Elizabeth Gray ATF The T+E Gray S/F, an entity controlled by Terence Gray;</p> <p>(b) Mr Grant Yeatman (in his personal capacity) and Grant Yeatman ATF The GC Family Trust, an entity controlled by Mr Yeatman; and</p>	Sections 9.1.2, 9.2.1 and 9.2.2

Item	Summary	Further information
	<p>(c) Growth Capital (WA) Pty Ltd; and Keliri Pty Ltd ATF the Ken Richards Family Superannuation Fund, entities controlled by Mr Ken Richards, (together, the Related Parties).</p> <p>Each of the Related Parties are controlled by either a Director or a Proposed Director and are therefore related parties of the Company.</p> <p>The material terms of the Minority Shareholder SSA's are summarised in Section 9.2.2.</p> <p>The Company confirms that there are no other arrangements or transactions between the Company and EQ or its related parties. The Company also confirms that EQ is not a related party of the Company or any of the Directors of the Company, with the exception of Mr Ken Richards (a common director of the Company and EQ).</p>	
F. Financial Information		
How has the Company been performing?	The audited historical financial information of the Company (including its subsidiaries) and EQ as at 30 June 2020 is set out in Section 6 and Annexure A.	Section 6 and Annexure A
What is the financial outlook for the Company?	<p>Given the current status of the Apple Tree Creek Plant and the speculative nature of its business, the Directors do not consider it appropriate to forecast future earnings.</p> <p>Any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection on a reasonable basis.</p>	Section 6 and Annexure A
G. Offer		
What is the Offer?	The Offer is an offer of up to 150,000,000 Shares at an issue price of \$0.02 per Share to raise up to \$3,000,000 (before costs).	Section 4.1
Is there a minimum subscription under the Offer?	The minimum amount to be raised under the Offer is \$3,000,000.	Section 4.3
What are the purposes of the Offer?	The purposes of the Offer are to facilitate an application by the Company for re-admission to the Official List and, to position the Company to seek to achieve the objectives stated at Section B of this Investment Overview.	Section 4.9
Is the Offer underwritten?	No, the Offer is not underwritten.	Section 4.5
Who is the lead manager to the Offer?	<p>The Company has appointed Sequoia Corporate Finance Pty Ltd (Lead Manager or Sequoia) as lead manager to the Offer.</p> <p>The Lead Manager will receive the following fees:</p> <p>(a) a management fee of 2 % of the gross proceeds of the Offer (plus GST) in consideration for managing the Offer process;</p>	Sections 4.6, 4.7, 9.1.1 and 9.1.2

Item	Summary	Further information
	<p>(b) a selling fee of 4% of the gross proceeds of the Offer (plus GST) in consideration for raising capital under the Offer; and</p> <p>(c) a monthly retainer in arrears of \$20,000 (plus GST) for the initial month after completion of the Offer and thereafter \$15,000 (plus GST) for each subsequent month (Retainer) for corporate advisory services. Sequoia may, in its sole discretion, elect for part of the Retainer to be paid in cash or Shares.</p> <p>The Company notes that it has also entered into the Corporate Advisory Mandate with Tegis Pty Ltd (an entity controlled by Mr Terence Gray, a Proposed Director) (Tegis), under which Tegis will provide corporate, M&A and general corporate advisory support in respect of the Acquisition. The Corporate Advisory Mandate will terminate on completion of the Acquisition. For further information relating to Tegis, refer to Sections 4.7 and 9.1.2.</p>	
Who is eligible to participate in the Offer?	This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in Jurisdictions outside Australia or New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.	Section 4.14
How do I apply for Shares under the Offer?	Applications for Shares under the Offer must be made by completing the Application Form attached to this Prospectus in accordance with the instructions set out in the Application Form.	Section 4.10
What is the allocation policy?	<p>The Company retains an absolute discretion to allocate Shares under the Offer, and will be influenced by the factors set out in Section 4.11.</p> <p>There is no assurance that any applicant will be allocated any Shares, or the number of Shares for which it has applied.</p> <p>Each of the Secondary Offers are personal offers to the relevant participants. As such, Securities offered under those Secondary Offers will be allocated and issued to those parties (or their respective nominee(s)) only.</p>	Section 4.11
What will the Company's capital structure look like on completion of the Offer and the Acquisition	The Company's capital structure on a post-Offer basis is set out in Section 5.10.	Section 5.10
What are the terms of the Shares offered under the Offer?	A summary of the material rights and liabilities attaching to the Shares offered under the Offer are set out in Section 10.2.	Section 10.2

Item	Summary	Further information
What are the terms of the Options offered under the Options Offer?	A summary of the material rights and liabilities attaching to the Consideration Options offered under the Options Offer are set out in Section 10.3.	Section 10.3
What are the terms of the Performance Rights offered under the Performance Rights Offer?	A summary of the material rights and liabilities attaching to the Consideration Performance Rights offered under the Performance Rights Offer are set out in Section 10.4.	Section 10.4
Will any Shares be subject to escrow?	<p>None of the Shares issued under the Offer will be subject to escrow.</p> <p>However, subject to the Company complying with Chapters 1 and 2 of the ASX Listing Rules and completing the Offer, it is anticipated that:</p> <ul style="list-style-type: none"> (a) 11,754,400 Shares to be issued, subject to Shareholder approval, to the Directors in lieu of amounts owed by the Company to its Directors; (b) 620,912,451 Shares to be issued to the related party Vendors in consideration of the Acquisition; (c) 10,000,000 Shares to be issued to Tegis in consideration for the provision of corporate, M&A and general corporate advisory support in respect of the Acquisition; and (d) the Securities to be issued under the Secondary Offers, <p>will be restricted from trading or a period of 24 months from the date of recommencement of trading of the Company's Shares on the Official List.</p> <p>During the period in which restricted Shares are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.</p> <p>The Company will announce to ASX full details (quantity and duration) of the Shares required to be held in escrow prior to the Shares commencing trading on ASX.</p> <p>The Company's 'free float' (being the percentage of Shares not subject to escrow and held by Shareholders that are not related parties of the Company (or their associates) at the time of re-admission to the Official List) will be approximately 48.54% comprising all Shares issued following completion of the Acquisition. Other than Shares subject to ASX imposed escrow or held by Directors, proposed Directors or promoters.</p>	Section 5.12
Will the Shares be quoted on ASX?	Application for quotation of all Shares to be issued under the Offer will be made to ASX no later than 7 days after the date of this Prospectus.	Section 4.12
What are the key dates of the Offer?	The key dates of the Offer are set out in the indicative timetable in Section 2.	Section 2

Item	Summary	Further information
What is the minimum investment size under the Offer?	Applications under the Offer must be for a minimum of \$2,000 worth of Shares (100,000 Shares) and thereafter, in multiples of \$500 worth of Shares (25,000 Shares).	Section 4.10
Are there any conditions to the Offer?	<p>The Offer is conditional on:</p> <ul style="list-style-type: none"> (a) the Company raising the Minimum Subscription under the Offer; (b) the passing of all of the Acquisition Resolutions that are being put to Shareholders at the General Meeting; and (c) the Company receiving Conditional Approval (and the Company being satisfied that it can meet those conditions), <p>(together, the Conditions).</p> <p>The Offer will only proceed if all Conditions are satisfied. Further details are set out in Section 4.8.</p>	Section 4.8
What are the Secondary Offers?	<p>The Prospectus also includes the following secondary offers:</p> <ul style="list-style-type: none"> (a) an offer of 34,455,861 Options to the holders of options to acquire EQ Shares (or their nominees) as part consideration for the Acquisition pursuant to the Minority Shareholder SSA's (Options Offer); and (b) an offer of 33,000,000 Performance Rights to the EQ performance rights holders (or their nominees) as part consideration for the Acquisition pursuant to the Minority Shareholder SSA's (Performance Rights Offer), <p>(together, the Secondary Offers).</p> <p>Only specified persons will be entitled to participate in the Secondary Offers, all of whom will be approached directly by the Company.</p>	Section 4.2
H. Use of funds		
How will the proceeds of the Offer be used?	<p>The Offer proceeds and the Company's existing cash reserves will be used for:</p> <ul style="list-style-type: none"> (a) implementing the Company's business objectives as set out in Part C of Investment Overview; (b) expenses of the Offer and the Acquisition of EQ; (c) administration costs; and (d) working capital, <p>further details of which are set out in Section 5.9.</p>	Section 5.9
Will the Company be adequately funded after completion of the Offer?	The Directors are satisfied that on completion of the Offer, the Company will have sufficient working capital to complete the construction of commission of and optimisation of the Apple Tree Creek Plant.	Section 5.9

Item	Summary	Further information
I. Additional information		
Is there any brokerage, commission or duty payable by applicants?	<p>No brokerage, commission or duty is payable by applicants on the acquisition of Shares under the Offer.</p> <p>However, the Company will pay to the Lead Manager 6% (plus GST) of the total proceeds raised under the Offer (comprising a selling fee of 4% and a management fee of 2%).</p>	Section 9.1.1
Can the Offer be withdrawn?	<p>The Company reserves the right not to proceed with the Offer at any time before the issue or transfer of Shares to successful applicants.</p> <p>If the Offer does not proceed, application monies will be refunded (without interest).</p>	Section 4.17
What are the tax implications of investing in Shares?	<p>Holders of Shares may be subject to Australian tax on dividends and possibly capital gains tax on a future disposal of Shares subscribed for under this Prospectus.</p> <p>The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to subscribe for Shares offered under this Prospectus.</p>	Section 4.16
What is the Company's Dividend Policy?	<p>The Company will seek to maximise the total return to Shareholders with a combination of capital growth and income, with the aim of allowing dividends to be paid to Shareholders provided the Company has sufficient profit reserves available and it is within prudent business practices to do so. The payment of any dividends is also subject to cash flow and franking credits.</p> <p>Whilst it is the Board's current intention to implement a dividend payout ratio of 50%, the payment of and amount of any dividend will be at the discretion of the Board and will depend on a number of factors, including future earnings, capital requirements, financial conditions, future prospects and other factors that the Board deems relevant.</p>	Section 5.14
What are the corporate governance principles and policies of the Company?	<p>To the extent applicable, in light of the Company's size and nature, the Company has adopted <i>The Corporate Governance Principles and Recommendations (4th Edition)</i> as published by ASX Corporate Governance Council (Recommendations).</p> <p>Prior to re-listing on the ASX, the Company will announce its main corporate governance policies and practices and the Company's compliance and departures from the Recommendations.</p>	Section 8.6
Where can I find more information?	<p>(a) By speaking to your sharebroker, solicitor, accountant or other independent professional adviser;</p> <p>(b) by contacting the Company Secretary, on +61 7 3188 9040; or</p> <p>(c) by contacting the Share Registry on +61 7 3320 2200.</p>	

This Section is a summary only and is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

4. DETAILS OF THE OFFERS

4.1 The Offer

The Offer is a public offering of 150,000,000 Shares at an issue price of \$0.02 per Share to raise \$3,000,000.

The Shares issued under the Offer will be fully paid and will rank equally with all other existing Shares currently on issue. A summary of the material rights and liabilities attaching to the Shares is set out in Section 10.2.

4.2 Secondary Offers

4.2.1 Options Offer

This Prospectus includes an offer of 34,455,861 Options (**Consideration Options**) to be issued to the Growth Capital (WA) Pty Ltd ATF the Richards Family Trust and Keliri Pty Ltd ATF the Richards Family Superannuation Fund (together, the **Richards Entities**) (or their nominees) in consideration for the cancellation of the options to acquire EQ Shares that are held by the Richards Entities (**Options Cancellation**).

The Richards Entities agreed to the terms of the Options Cancellation with the Company under Minority Shareholder SSA's. The material terms and conditions of the Minority Shareholder SSA's are summarised in Section 9.2.2.

A summary of the material rights and liabilities attaching to Consideration Options is set out in Section 10.3 and a summary of the anticipated application of escrow to the Company's Securities is set out in Section 5.12.

Only the Richards Entities (or their nominees) may accept the Options Offer. A personalised Application Form in relation to the Options Offer will be issued together with a copy of this Prospectus.

4.2.2 Performance Rights Offer

This Prospectus includes an offer of 33,000,000 Performance Rights to be issued to Mr Terence Gray and Mr Grant Yeatman (or their nominees) consideration for the cancellation of the performance rights in the capital of EQ that are held by the Mr Gray and Mr Yeatman (**Performance Rights Cancellation**).

Mr Gray and Mr Yeatman agreed to the terms of the Performance Rights Cancellation with the Company under Minority Shareholder SSA's. The material terms and conditions of the Minority Shareholder SSA's are summarised in Section 9.2.2.

A summary of the material rights and liabilities attaching to the Consideration Performance Rights is set out in Section 10.4 and a summary of the anticipated application of escrow to the Company's Securities is set out in Section 5.12.

Only Mr Gray and Mr Yeatman (or their nominees) may accept the Performance Rights Offer. A personalised Application Form in relation to the Performance Rights Offer will be issued together with a copy of this Prospectus.

4.3 Minimum subscription

The minimum subscription for the Offer is \$3,000,000 (150,000,000 Shares) (**Minimum Subscription**).

If the Minimum Subscription has not been raised within four (4) months after the date of this Prospectus or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

4.4 Oversubscriptions

No oversubscriptions will be accepted by the Company under the Offer.

4.5 Underwriter

The Offer is not underwritten.

4.6 Lead Manager

The Company has entered into a mandate with Sequoia Corporate Finance Pty Ltd ACN 602 219 072 (a Corporate Authorised Representative No 469074 of Sequoia Wealth Management Pty Limited, ACN 002 314 310, AFSL No. 472387) pursuant to which Sequoia has been appointed as lead manager to the Offer (**Lead Manager**) (**Lead Manager Mandate**).

In consideration for its services, the Company has agreed to pay the Lead Manager:

- (a) a fee equal to 6% (plus GST) of the total proceeds raised under the Offer (comprising a selling fee of 4% and a management fee of 2%); and
- (b) a monthly retainer in arrears of \$20,000 (plus GST) for the initial month after completion of the Offer and thereafter \$15,000 (plus GST) for each subsequent month (**Retainer**) for corporate advisory services. The Lead Manager may, in its sole discretion, elect for part of the Retainer to be paid in cash or Shares.

For further information in relation to the appointment of the Lead Manager, please refer to Section 9.1.1.

4.7 Corporate Advisor to the Company

The Company has entered into a corporate advisory mandate with Tegis Pty Ltd (trading as Tegis Capital) (ACN 120 347 088) (Authorised Representative No. 1282656 of Sequoia Wealth Management Pty Ltd AFSL No. 472387) (an entity controlled by Mr Terence Gray, a Proposed Director) (**Tegis**) (**Corporate Advisory Mandate**), under which Tegis will provide corporate, M&A and general corporate advisory support in respect of the Acquisition.

The Corporate Advisory Mandate will terminate on completion of the Acquisition.

For further information relating to the Corporate Advisory Mandate, refer to Section 9.1.2.

4.8 Conditions of the Offers

The Offer and the Secondary Offers (together, the **Offers**) are conditional upon the following events occurring:

- (a) the Company raising the Minimum Subscription under the Offer;

- (b) the passing of the Acquisition Resolutions that are being put to Shareholders at the General Meeting; and
- (c) the Company receiving Conditional Approval (and the Company being satisfied that it can meet those conditions),

(together the **Conditions**).

If these Conditions are not satisfied then the Offers will not proceed and the Company will repay all application monies received under the Offers within the time prescribed under the Corporations Act, without interest.

4.9 Purpose of the Offer

The primary purposes of the Offer are to:

- (a) assist the Company to meet the re-admission requirements of ASX under Chapters 1 and 2 of the ASX Listing Rules;
- (b) provide the Company with additional funding for:
 - (i) the optimisation of the Apple Tree Creek Plant (as further detailed in Section 5.2.2); and
 - (ii) the Company's working capital requirements while it is implementing the above; and
- (c) remove the need for an additional disclosure document to be issued upon the sale of any Shares that are to be issued under the Offer.

The Company intends on applying the funds raised under the Offer together with its existing cash reserves in the manner detailed in Section 5.9.

4.10 Applications

Applications for Shares under the Offer must be made by using the relevant Application Form by completing a paper-based application using the relevant Application Form attached to, or accompanying, this Prospectus or a printed copy of the relevant Application Form attached to the electronic version of this Prospectus.

Participation in the Secondary Offers is personal and Application Forms in relation to the Secondary Offers will be issued to the relevant participants together with a copy of this Prospectus.

By completing an Application Form, each applicant under the Offer will be taken to have declared that all details and statements made by them are complete and accurate and that they have personally received the Application Form together with a complete and unaltered copy of the Prospectus.

Applications for Shares under the Offer must be for a minimum of \$2,000 worth of Shares (100,000) Shares and thereafter in multiples of 25,000 Shares and payment for the Shares must be made in full at the issue price of \$0.02 per Share.

Completed Application Forms and accompanying cheques, made payable to "**Leaf Resources Limited**" and crossed "**Not Negotiable**", must be mailed or delivered to the address set out on the Application Form by no later than 5:00 pm (EST) on the Closing Date, which is scheduled to occur on 30 November 2020.

If an Application Form is not completed correctly or if the accompanying payment is the wrong amount, the Company may, in its discretion, still treat the Application Form to be valid. The Company's decision to treat an application as valid, or how to construe, amend or complete it, will be final.

The Company reserves the right to close the Offer early.

4.11 Allocation policy under the Offer

The Company retains an absolute discretion to allocate Shares under the Offer and reserves the right, in its absolute discretion, to allot to an applicant a lesser number of Shares than the number for which the applicant applies or to reject an Application Form. If the number of Shares allotted is fewer than the number applied for, surplus application money will be refunded without interest as soon as practicable.

No applicant under the Offer has any assurance of being allocated all or any Shares applied for. The allocation of Shares by Directors (in conjunction with the Lead Manager) will be influenced by the following factors:

- (a) the number of Shares applied for;
- (b) the overall level of demand for the Offer;
- (c) the desire for a spread of investors, including institutional investors; and
- (d) the desire for an informed and active market for trading Shares following completion of the Offer.

The Company will not be liable to any person not allocated Shares or not allocated the full amount applied for.

Each of the Secondary Offers are personal offers to the relevant participants. As such, Securities offered under those Secondary Offers will be allocated and issued to those parties (or their respective nominee(s)) only.

4.12 ASX re-listing

Application for Official Quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. However, applicants should be aware that ASX will not commence Official Quotation of any Shares until the Company has complied with Chapters 1 and 2 of the ASX Listing Rules and has received the approval of ASX to be admitted to the Official List. As such, the Shares may not be able to be traded for some time after the close of the Offer.

If the Shares are not admitted to Official Quotation by ASX before the expiration of three months after the date of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

4.13 Issue

Subject to the Minimum Subscription to the Offer being reached, the Conditions set out in Section 4.8 being met and ASX granting conditional approval for the Company to be admitted to the Official List, issue of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date.

Pending the issue of the Securities or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each applicant waives the right to claim interest.

The Directors (in conjunction with the Lead Manager) will determine the recipients of the issued Shares in their sole discretion in accordance with the allocation policy detailed in Section 4.11). The Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the Closing Date.

Holding statements for Shares issued to the issuer sponsored subregister and confirmation of issue for Clearing House Electronic Subregister System (CHES) holders will be mailed to applicants being issued Shares pursuant to the Offer as soon as practicable after their issue.

4.14 Applicants outside Australia and New Zealand

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia or New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Securities or otherwise permit a public offering of the Securities the subject of this Prospectus in any jurisdiction outside Australia or New Zealand. Applicants who are resident in countries other than Australia or New Zealand should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia or New Zealand it is your responsibility to obtain all necessary approvals for the issue of the Securities pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

The Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014. Refer to the Important Notices Section.

4.15 Commissions payable

The Company reserves the right to pay a commission of up to 6% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.

The Lead Manager will be responsible for paying all commission that they and the Company agree with any other licensed securities dealers or Australian financial services licensees out of the fees paid by the Company to the Lead Manager under the Lead Manager Mandate.

4.16 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor.

It is not possible to provide a comprehensive summary of the possible taxation positions of all potential applicants. As such, all potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus or the reliance of any applicant on any part of the summary contained in this Section.

No brokerage, commission or duty is payable by applicants on the acquisition of Shares under the Offer.

4.17 Withdrawal of Offer

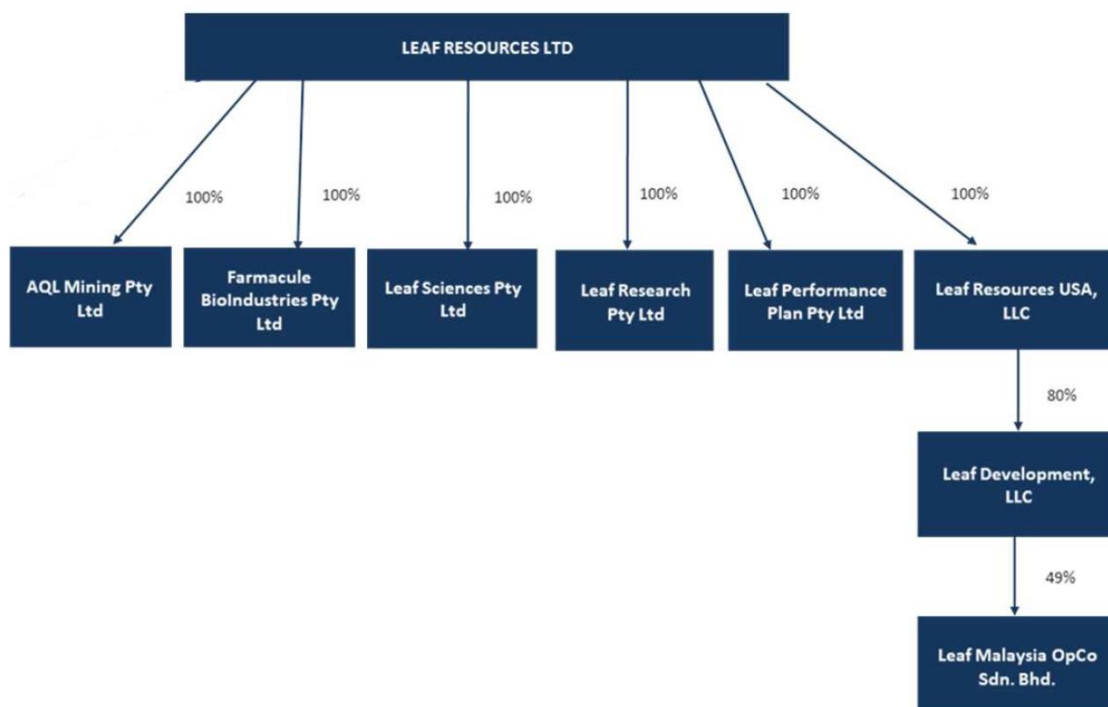
The Offer may be withdrawn at any time. In this event, the Company will return all application monies (without interest) in accordance with applicable laws.

5. COMPANY AND EQ OVERVIEW

5.1 The Company

Leaf is an ASX listed, Australian-based company that has developed technology that converts non-food plant biomass into useful, sustainable, renewable products. This process creates cellulose, which is the essential ingredient in the production of renewable chemicals, biodegradable biomaterials and recyclable biomaterials.

The Company Group is comprised of:



The Company has developed a process of using crude glycerol from biodiesel production to produce cellulosic sugars, lignin and refined glycerol from plant biomass. This process is known as the Glycell™ process.

Plant biomass is made up of cellulose, hemicellulose and lignin. These polymers can be extracted to form the chemical building blocks for bio-based materials in a range of industries, including paper, textiles, pharmaceuticals, food, renewable chemicals and biofuels.

Cellulose, hemicellulose and lignin are interlinked in a complex structure, making the process of separating them difficult. As such, extracting biomass polymers usually involves a combination of mechanical, chemical and biological treatment. Existing technologies such as steam explosion and chemical pre-treatment are costly and require large amounts of energy and chemicals.

Leaf's biorefining process (being the Glycell™ process) is a uniquely efficient pre-treatment process which delivers high-purity cellulosic sugars, which can then be used in the production of bio-based chemicals, plastics and biofuels.

The Glycell™ process is highly efficient technology which yields up to 25% more high-purity sugars, faster and using lower pressure and temperature than rival biomass transformation technologies. This process produces co-products lignin and refined glycerol, which can be sold to generate additional revenue streams reducing the operating costs of cellulosic sugar production. During the Glycell™ process, glycerol is refined from 80% to up to 95% purity. More pure forms of glycerol are considered higher value products as they are suitable for more refined industrial requirements.

Glycell™ is proven to work effectively on different types of biomass, including hard wood such as eucalyptus, poplar and non-woody feedstocks including bagasse, empty fruit bunch and corn stover. The process is applicable to agricultural and forestry waste or non-food crops grown on marginal agricultural land.

The key benefits of the Glycell™ process includes the process:

- (a) being cost effective;
- (b) producing high-purity cellulosic sugars and accessible cellulose;
- (c) creating a versatile scale of operation;
- (d) providing an alternative to current industrial manufacturing techniques; and
- (e) potentially reducing the cost of the main feedstock for bio-based chemical production, providing a cost-effective, high purity, non-food source of cellulosic sugars.

Prior to January 2020, the Company's objectives focused on two biorefinery projects using Leaf's proprietary Glycell™ technology. These projects included:

- (a) Leaf's proposed Malaysian biorefinery project; and
- (b) the proposed development of a facility in Queensland using biomass from the sugar cane industry.

The impact of COVID-19 in the second half of the 2020 financial year brought significant challenges that stalled the momentum resulting from the global pandemic. The shut-down of business activity and travel both domestically and internationally around the globe has led to a level of global uncertainty that continues to impact economies worldwide, disrupt government programs and has had a direct impact on the Company's operation.

In response to these challenges, the Company will conditionally agree to acquire all of the issued capital of Essential Queensland Pty Ltd (ACN 617 150 320) (**EQ**), which opens the potential for the Glycell™ technology to be applied to pine wood (i.e. softwood) biomass. The application on raw softwood was previously assessed as not being feasible based on prior pilot R&D work carried out by the Company, with the data suggesting the pine chemicals in softwoods impact the efficiency of the Glycell™ process.

As EQ's extraction process removes chemicals from the softwood, the resultant waste wood chip has the potential to become a new strategic biomass supply for the Glycell™ process.

In the short term, EQ's business plan brings the prospect of cashflow from the production of pine chemicals and woodchips from the Apple Tree Creek Plant.

The ability for Glycell™ to be applied to pine wood is an attractive prospect for the Company as managed pine plantations are among the largest sources of sustainable non-food biomass.

The Company intends to begin the necessary research and development by applying Glycell™ to the woodchips produced by EQ's pine wood treatment process. This test work aims to confirm the Company's hypothesis that EQ treated pine wood chips can be a viable commercial feedstock for the Glycell™ process.

Notwithstanding the planned test work, the Company's priorities for the next twelve months are to finalise construction of the Apple Tree Creek Plant, commence production, met planned output targets, followed by the optimisation and expansion of the new facility.

As a result of the challenges faced by the Company and the opportunity presented by the acquisition of EQ, the Company has placed its proposed Malaysian and Queensland projects on hold for an indefinite period. The Company has therefore determined that at present, these projects are not material to the Company's ongoing operations.

5.2 EQ

EQ is an Australian proprietary company which operates a sustainable pine chemical company and manufactures gum rosin and gum turpentine from pine trees.

EQ was established in early 2017 to develop and commercialise sustainable extraction and processing technology to produce pine chemicals. Since establishment, EQ has developed a proprietary process to extract rosin and terpenes from pine logs, producing the high quality, clean rosin and terpenes which are used in a multitude of consumer products, including perfumes, cosmetics, food additives, adhesives, disinfectants, synthetic rubbers and printing inks.

5.2.1 History

Since 2000, Mr Ray Mountfort, the founder of EQ, has been conceptualising, testing and designing EQ's sustainable extraction process. In July 2016, Ray and his family moved to Gympie in Queensland, Australia having identified the area as offering natural advantages for his business vision to develop a natural pine chemicals opportunity.

Queensland was chosen after determining:

- (a) access and quality of the raw material resource;
- (b) supply cost and yield advantages;
- (c) climate advantages (enabling full year production (many countries only produce in the hotter months); and
- (d) relative Government stability.

Since launching in early 2017, EQ has developed a proprietary, sustainable extraction process, proven at pilot scale to supply natural rosins and terpenes to the pine chemicals industry.

The Board believes that EQ's ability to continuously produce a sustainable and natural pine chemical product at a competitive price, positions the Company well to fulfill the growing supply deficit for pine chemicals.

Project Development Timeline	
2000 – 2014:	<p>Ray Mountfort commenced developing industry experience in:</p> <ul style="list-style-type: none"> • tall oil rosin and terpene processing and manufacture; • gum rosin manufacture from tree tapping to exporting gum rosin; and • natural rosin extraction development, from working on pilot plant. <p>Mr Mountfort also gained experienced with the commercial sales side of the business after the commercialisation of the project.</p>
2014 - 2015:	<p>Ray Mountfort was subject to a restraint of trade from pine chemicals. As a result, Mr Mountfort worked for a year managing an essential oils production farm.</p>
2016 – 2017:	<p>Ray Mountfort commenced developing a natural oleoresins project opportunity in South East Queensland. During this period Mr Mountfort undertook further work and research into supply testing, plant design, supplier diligence and site analysis.</p>
2017	<p>Ray Mountfort establishes EQ and secures seed funding to begin the development of his vision.</p>
2018 - 2019:	<p>EQ obtained its current site and the necessary and relevant consents, complete supply contract, constructed pilot plant and terpenes extraction plant, confirm yield control and start to grow company capability.</p> <p>During this time, EQ obtained market entry and sales contracts.</p>
2020	<p>EQ completed pilot plant and testing.</p> <p>Began construction of commercial plant in June 2020.</p>

5.2.2 Overview of EQ's current activities

In 2019, EQ commissioned a pilot plant and successfully tested pine chemical production at its Apple Tree Creek site in Isis Central, Queensland.

The land on which the Apple Tree Creek is being constructed was leased by EQ on 4 October 2017 (**Lease**). The Lease has a 20 year term with one 10 year option to renew. Refer to Section 9.3.4 for further details regarding the Lease.

In March 2020, after successful pilot plant trials, EQ began to dismantle the pilot plant to make way for a new commercial plant on the same site (**Apple Tree Creek Plant**). The Apple Tree Creek Plant began reconstruction in June 2020 and is intended to produce 8,000 tonnes of pine chemical productions per annum. The new fully funded Apple Tree Creek Plant is expected to start commissioning in December 2020, with full operating capacity expected to be achieved in June 2021.

EQ's technology uses a series of mature and proven technologies (chipping, extraction, steam distillation, and liquid-liquid separation) consistent with solvent extraction processes from plant material. EQ's point of difference lies in the use of a proprietary and innovative pine-based natural solvent to release rosin and terpenes from pine chips.

The process is supported by several different utilities (again proven and mature techniques), including a boiler, condensate recovery system, cooling tower, air compressor, and wastewater treatment system.

Construction of the Apple Tree Creek Plant is nearly complete, with commissioning scheduled to begin in December 2020 and first production expected in January 2021. The Plant's planned production capacity of 8,000 tonnes per annum run rate of pine chemicals is expected by June 2021.

Once the new commercial plant has been commissioned and is operating at a stable rate, the Company will begin optimising the plant by focusing on activities that drive efficiency within the Plant, which is hoped to be achieved by:

- (a) enhancing systems through normalisation of unit operations; and
- (b) continuing to review and develop measurable standards for operations, quality, safety and the environment.

The Company will review, design and incorporate specified control loops and include ruggedisation and adaption of the controls in the manufacturing process through automation, as important process optimisation towards improving production rates and yields. The optimisation of processes and practices will use industry standard, accurate and measurable methodologies that are available. The process engineering framework in planning will model and review current technology to improve processing times, increase repeatability while also focussing on reducing production costs.

EQ has experienced management personnel with strong industry relationships. Biographies for Mr Ray Mountfort, Mr Terence Gray and Mr Grant Yeatman, EQ's management personnel and Proposed Directors of the Company, are set out at Section 8.1.

EQ's relationships have enabled management to secure a supply contract of 15,000tpa of pine logs from HQPlantations Pty Ltd, an existing sustainable pine plantation operator, prior to the Apple Tree Creek Plant being in production. Refer to Section 9.3.1 for further details.

EQ's management is currently in active discussions to diversify supply of feedstock from several different sources of supply and will progressively fix supply arrangements as management ramps up the commercial plant's production.

EQ's pine log supply requirement is small compared to total pine logs harvested in the region. Therefore, the Company does not perceive log supply to be a material risk.

In 2019 EQ has executed a letter of intent with Yasuhara Chemical Co Ltd (**Yasuhara**), a blue chip natural chemicals company based in Japan, pursuant to which Yasuhara has agreed to purchase terpenes produced by EQ over a five year period. This arrangement gives Yasuhara the right to purchase EQ's produced terpenes, however there are no penalties in the event EQ does not produce the terpenes at the expected production rate. Please refer to Section 9.3.2 for a summary of the arrangement with Yasuhara.

EQ is also currently negotiating offtake agreements for the sale of rosin. EQ intends to sell 100% of production at market rates. The market is defined as a worldwide commodity and both rosin and terpene chemicals are sold by open and closed bidding processes to companies that then add further value to the chemicals through chemical reactions. EQ's management intend to manage buyer risk and

seek multiple offtake arrangements ensuring a higher price for its products. It is likely that EQ will have less than 10 customers to offtake total production.

EQ is liaising directly with its end customers and with agents who specialise in trading pine chemicals. EQ is a registered exporter for all products sent offshore and a certified exporter by the Chamber of Commerce. When product is ready for export, management call their shipping agency and book appropriate container space for the selected destination.

A major advantage for EQ is its ability to produce rosin and terpenes for 12 months of the year, given the process will not be affected by weather or seasonal events when harvesting. Chinese and tapping operations can only operate 6-9 months of the year forcing customers to hold large inventories during the off season. EQ's production will help our customers shorten their inventory cash cycle.

At planned operating capacity, the Apple Tree Creek Plant is expected to generate over 90,000 tonne per annum of waste wood chip. This waste woodchip will initially be sold as a cheap landscaping product. EQ has an offtake agreement with Kuhlman's Bulk Haulage Pty Ltd, a landscaping supply company.

5.3 Global pine chemicals market

"Pine chemicals" is a term that encompasses the natural products and their derivatives that are present in pine trees. These include natural woods / rosins, terpenes, fatty acids and pitch.

Pine chemicals directly account for over \$10 billion in annual revenues. This industry is growing at approximately 1% above world growth per annum.

These pine chemical products are used in a wide array of consumer goods including paints, inks, adhesives, perfumes, flavours in soft drinks and food, fragrances in soaps and household cleaners, food additives, vitamins, automobile tires, and many more applications. Consumers touch, smell, and consume pine chemical products every day.

Two of the products to be produced by EQ are natural rosin and natural terpenes. Though rosin and terpenes are derived from the same source they have very different applications and can be considered as two distinctly different market groups.

5.3.1 Natural Rosin



Rosin is the major product obtained from pine wood. After the distillation of the terpenes from pine wood, rosin remains behind as the non-volatile residue. Rosin is a brittle, transparent, glassy solid that is insoluble in water, but soluble in many organic solvents. It is graded and sold on the basis of colour and hardness, the palest shades of yellow-brown being regarded as the better quality grade of rosin.

Rosin is used in the formulation of diverse products such as:



Most rosin is used in a chemically modified form rather than in the raw state. The rosin is an acid making it reactive with other chemicals so that when combined, its natural stickiness and high melting point make it a very useful ingredient in many of our everyday consumables.

5.3.2 Natural Terpenes



Terpenes are a clear, flammable liquid, with a distinctive pine odour. Terpenes are immiscible with water and has a boiling point above 145°C. Terpenes are a mixture of organic compounds, mainly terpenes, and its composition can vary considerably (more so than rosin) according to the species of pine from which it was derived. This greatly influences its value and end use.

Terpenes are used in the formulation of:



5.3.3 Global Production

The main producers of rosin and terpenes are located in North America (35%), Europe (25%), China (25%), South America (4%). Central America, India, Indonesia, Japan, Pakistan, Russia, South Africa and Vietnam collectively account for 13% of rosin and terpene production.

Production tonne p.a.	Global	LER/EQ Expected Production	LER/EQ's Global Market % (based on expected production)
Rosin	1,270,000	6,800	0.54
Terpenes	345,000	1,200	0.35

5.3.4 Production Processes

There are three processes commonly used to extract pine chemicals (rosin and terpenes) from pine trees:

- (a) **Kraft pulping:** crude tall oil (**CTO**) production, from Kraft pulping process.



CTO is a by-product that is created during the kraft process. The kraft pulping process is the manufacturing process by which wood chips are transformed into pulp for use in the paper industry. CTO is fractionated to produce rosin and terpenes (tall oil rosin & terpenes). Whilst CTO is renewable as it is produced from sustainable material, it is an environmentally unfriendly process as it creates serious waste streams with potentially harmful impacts.

- (b) **Tree tapping (gum rosin):** gum rosin and terpenes from tree tapping operations.



Crude wood or exudates (oleoresin) is collected from incisions made in the tree trunk (known as yappers production) which is distilled into terpenes and gum rosin. This production is seasonal and labour intensive. Operators must also inject chemicals to promote the flow of sap, which ultimately leaves small chemical residues in the final product. These residues are not found in EQ's product.

- (c) **Wood stumps (wood terpenes and rosin):** wood terpenes and rosin from wood stumps using petroleum based solvent extraction.



Pine wood (the tree's stump) is processed via solvent-extracted using hexane and then distilled to separate terpenes and wood rosin. Hexane is a toxic and potentially dangerous chemical. EQ instead uses a natural benign solvent.

Wood and gum rosin products have only trace mineral content making them suitable for a much broader range of value-added products than tall oil products. Therefore, wood and gum rosins command a premium in the market place.

EQ's unique sourcing strategy is defined by EQ as 'natural oleoresin'. Although the process is very similar to wood rosin production it differs by using a patented natural organic solvent creating a cleaner product to the extent that regulators and the market will differentiate it as:

- (a) environmental and sustainable being renewable as it is only sourced from replanted managed plantations; and
- (b) it has the clean environmental advantages of gum rosin such as zero sulphur, being more environmentally safe, easier to transport, handle and process.

As EQ's uses a natural organic solvent, the final natural rosin and natural terpenes produced from EQ's proprietary process are pure and the clean product. Combined with the fact that EQ's continual manufacturing process will enable year-round supply, the Company considers that its product may be a supply replacement for hydrocarbon-based resins, currently produced from petroleum.

5.4 Business model

In simple terms, EQ's business model involves the processing of pine logs into pine chemicals and wood chip, which are sold to downstream vendors and selling agents into a commodity market.



These pine chemical products are used in a wide array of consumer goods including paints, inks, adhesives, perfumes, flavours in soft drinks and food, fragrances in soaps and household cleaners, disinfectants, food additives, vitamins, automobile tires, and many more applications. Consumers touch, smell, and consume pine chemical products every day.

EQ believes its natural extraction process gives it a competitive advantage over other producers in terms of efficiency/cost of production, sustainability and quality.

EQ's unique sourcing strategy called 'natural oleoresin' is very similar to wood rosin production however regulators and the market differentiate it because it has the clean environmental advantages of gum rosin such as zero sulphur (much more environmentally safe, easier to transport, handle, process) and is renewable as it is only sourced from replanted managed plantations.

Leaf and EQ's technologies will potentially 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.

The acquisition of EQ by Leaf will result in a business that leverages complementary technology platforms to address large and growing global markets for a range of sustainable chemical products.

Leaf's Glycell™ process previously was not prioritised for application on softwood biomass (i.e. pine woodchip). Pilot data on softwood suggested that pine chemical extractives effect the Glycell™ chemistry, resulting in poor processing yields. However, as EQ's process removes the rosin and terpenes from the pine woodchip, the woodchip produced from the EQ process is a clean woody biomass material that can be applied as a potential feedstock to the Glycell™ process.

Research and development on pine chip as a feedstock for the Glycell™ process will commence in 2021.

The Company's low labour cost, low environmental impact and continuous production approach to the production of pine chemicals ensures that the Company's business model provides a new and sustainable supply of tree based renewable chemical production.

5.5 Intellectual Property

Leaf filed primary patent applications in 2014 covering core Glycell™ technology. Leaf and its subsidiaries has registered and made applications for patents across four patent families in various key territories in jurisdictions including Malaysia, USA & Europe. The primary patents that are registered in Australia cover the use of the Glycell™ chemistry and process to derive either treatment products being fibre or hydrolysis products such as sugars. In addition to this, Leaf has applied for patents relating to the separation and specific processes on silica removal as adjunct to the technology set.

A significant knowledge base and confidential know-how regarding the Glycell™ process platform has been shaped by the primary intellectual property and the

company has a unique data set on biorefining a range of biomass types and conditions. These have further been translated in to scale up and engineering project-oriented process knowledge (including over 700 hours of pilot plant operation).

EQ has developed a unique pine chemicals extraction technique using a patented natural organic solvent that produces pure products which encompasses significant know-how to commercial production. EQ has lodged an Australian provisional patent application in June 2020 and will pursue an international application in due course.

EQ's intellectual property also contains significant know-how and in particular around the interface between technology and feedstock as well as operating and controlling the process.

EQ protects the know-how through contracts of employment (including a non-compete term in Australia that forbids the employee to work for another company carrying out natural wood extraction for the next 3 years) and confidentiality agreements and the company's internal operating procedures.

For further details relating to Leaf and EQ's intellectual property rights, refer to the Intellectual Property Report at Annexure B.

5.6 Key Dependencies of Business Model

The Company's vision is to be a leading world class producer of natural rosin and terpenes, ensuring maximum value is derived from the products, selling into the highest value markets. To succeed the following factors are required:

- (a) completing the Offer and the Acquisition;
- (b) re-instatement to trading of the Official List;
- (c) completing the construction of the Apple Tree Creek Plant;
- (d) having cost effective access to dormant reserves of pine plantation logs and or stumps in Queensland and other managed plantations as the Company grows;
- (e) the valuable know-how and process to achieve high yields through log selection, splitting and plant scale up to extract the pine chemicals at far the lowest possible cost;
- (f) the use and development of continuous process manufacturing utilising best available technologies and pricing;
- (g) the use of Mr Ray Mountfort's, the founder of EQ, multi-national experience to enable the establishment of the first commercial plant and subsequent projects;
- (h) partnering with customers (or otherwise) to upgrade rosin and terpenes to high value specialty chemicals and optimise the supply chain to provide lowest cost end product;
- (i) leverage unique product benefits and knowledge of the pine chemical markets to sell into the highest value markets;

- (j) adopting a modular approach to growing production to ensures that the Company will not over capitalise or overreach management resources too early, but grow within the Company's internal capabilities and return on capital targets;
- (k) there being a sufficient worldwide demand for rosin and terpenes; and
- (l) the market price of gum rosin and gum turpentine remaining higher than the Company's costs of any future production.

5.7 Growth Strategy

The Company's modular plant design enables brownfield expansion at Apple Tree Creek or at other locations.

Accordingly, the Directors and Proposed Directors believe that the Apple Tree Creek Plant and Leaf and EQ's combined technologies add value to forest owners and can be repeated in all major pine forests that are logged sustainably on long term (30 year) rotations. The Directors and Proposed Directors believe that there is the potential for multiple sites and plants in both Australia and or international locations.

There is approximately a total of 37 million hectares of pine plantations around the world. Managed pine plantations offer a continual cycle of harvest and replanting of trees creating a sustainable and reliable source of wood for processing. The Directors and Proposed Directors are of the view that other countries with managed pine plantations, such as New Zealand, USA, Brazil and Indonesia, would be suitable for exploiting the Company's know how and business model.

Further to the expansion opportunities described above, the low labour cost and low environmental impact of the Company's proposed business model (when compared to existing pine chemicals supply options or the petrochemical alternative supply option) places the Company in a good position to ensure that its processes are the future for the world's tree based renewable chemical production.

5.8 Key Investment Highlights

The Board believes that the Acquisition presents the following opportunities:

- (a) the Acquisition brings two potentially compatible technologies together which produce sustainable and renewable products produced from woody biomass;
- (b) allowing the Company to pursue near-term growth opportunities from pine chemical production;
- (c) at completion of the Apple Tree Creek Plant's construction, it is expected to operate at 8,000 tonnes per annum, which the Board considers to have low scale up risk;
- (d) full production of the Apple Tree Creek Plant is expected to be reached in June 2021, providing the prospect of near-term cash earnings;
- (e) EQ's technology may offer substantial growth opportunities from both brownfield and greenfield expansion;

- (f) the Company and EQ's combined technologies are expected to create a stronger merged position to address large and growing global markets for pine chemicals and renewable industrial chemicals; and
- (g) the combination of EQ's technology with the Company's "Glycell" technology potentially provides the Company with the long term prospect of entering the pine plantation market, which previously could not be processed using the Glycell™ process.

5.9 Use of funds

The Company intends to apply funds raised from the Offer, together with existing cash reserves post re-admission, over the first two years following re-admission of the Company to the Official List of ASX as follows:

Allocation of Funds ¹	Maximum Subscription (\$) (\$3,000,000)	Percentage of Funds (%)
Optimisation of the Apple Tree Creek Plant ²	\$2,054,360	68.48%
Supply security bond ³	\$300,000	10.00%
Expenses of the Offer ⁴	\$422,804	14.09%
Working capital and administration and corporate costs	\$222,836	7.43%
Total	\$3,000,000	100%

Notes:

1. Refer to the Financial Information set out in Section 6 for further details. The Company intends to apply these funds towards the purposes set out in this table.
2. Comprising, capital expenditure on optimisation equipment. This includes automation and expansion of the process equipment to enhance throughput rates, improve yield control, and increasing production output.
3. To be paid to the pine log supplier to allow payment terms of 30 days credit rather than cash on delivery.
4. Refer to Section 10.10 for further details.

It is anticipated that the funds raised under the Offer will enable 2 years of full operations. It should be noted that the Company may not be fully self-funding through its own operational cash flow at the end of this period. Accordingly, the Company may require additional capital beyond this point, which will likely involve the use of additional debt or equity funding. Future capital needs will also depend on the success or failure of the Apple Tree Creek Plant. The use of further debt or equity funding will be considered by the Board where it is appropriate to fund the Apple Tree Creek Plant or to capitalise on acquisition opportunities.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

The Directors consider that following completion of the Offer, the Company will have sufficient working capital to carry out its stated objectives. It should however be noted that an investment in the Company is speculative and investors are encouraged to read the risk factors outlined in Section 7.

5.10 Capital structure

The capital structure of the Company following completion of the Offer and the Acquisition is summarised below:

Shares¹

	Minimum Subscription
Shares currently on issue ²	301,810,982 ¹
Shares to be issued pursuant to the Offer	150,000,000
Shares to be issued subject to the Acquisition Resolutions ³	1,039,012,433
Total Shares on completion of the Offer and the Acquisition⁴	1,490,823,415

Notes:

1. Subject to the Completion of the Consolidation and subject to rounding.
2. The rights attaching to the Shares are summarised in Section 10.2.
3. Comprising:
 - (a) 1,017,258,033 Consideration Shares;
 - (b) 11,754,400 Debt Conversion Shares; and
 - (c) 10,000,000 Advisor Shares.
4. The Company notes that in accordance with the Lead Manager Mandate, the Company may issue 3,250,000 Shares to Sequoia in consideration for corporate advisory services to be provided by Sequoia following completion of the Offer. The issue of Shares is subject to Sequoia electing to receive part of the corporate advisory fee in Shares in lieu of cash. Refer to Section 9.1.1 for a summary of the terms and conditions of the engagement of Sequoia and the issue of Shares to Sequoia.

Options

	Minimum Subscription
Options currently on issue	10,602,663 ^{1,2}
Options to be issued pursuant to the Offer	Nil
Consideration Options	34,455,861 ³
Total Options on completion of the Offer and the Acquisition	45,058,524

Notes:

1. Subject to the Completion of the Consolidation and subject to rounding.
2. Comprising:
 - (a) 1,323,495 unlisted Options each exercisable at \$0.1618 each on or before 15/07/21;
 - (b) 2,550,000 unlisted Options each exercisable at \$0.1706 each on or before 23/12/21;
 - (c) 1,700,000 unlisted Options each exercisable at \$0.2588 each on or before 23/12/21;
 - (d) 680,000 unlisted Options each exercisable at \$0.2588 each on or before 03/07/22;
 - (e) 283,334 unlisted Options each exercisable at \$0.1765 each on or before 19/3/23;
 - (f) 665,834 unlisted Options each exercisable at \$0.1765 each on or before 22/5/23;
 - (g) 1,275,000 unlisted Options each exercisable at \$0.1765 each on or before 14/09/23;
 - (h) 1,275,000 unlisted Options each exercisable at \$0.1765 each on or before 01/02/24;and

- (i) 850,000 unlisted Options each exercisable at \$0.2941 each on or before 01/04/24.

3. The terms of the Consideration Options are set out in Section 10.3.

Performance Rights

	Maximum Subscription
Performance Rights currently on issue	Nil
Performance Rights to be issued pursuant to the Offer	Nil
Consideration Performance Rights ¹	33,000,000
Total Performance Rights on issue after completion of the Offer and the Acquisition	33,000,000

Notes:

1. Refer to Section 10.4 for a summary of the terms and conditions of the Consideration Performance Rights.

5.11 Substantial Shareholders

Those Shareholders holding 5% or more of the Shares on issue both as at the date of this Prospectus and on completion of the Offer are set out in the respective tables below.

As at the date of the Prospectus

Shareholder	Shares ¹	Options ¹	Percentage (%) (undiluted)	Percentage (%) (fully diluted)
Tribeca Investment Partners Pty Ltd	34,413,548	Nil	11.40%	11.02%
Ken Richards ²	22,817,731 ³	1,275,000 ⁴	7.56%	7.71%

Notes:

1. Subject to the Completion of the Consolidation and subject to rounding.
2. Mr Richards is a Director and will be Chairman upon completion of the Acquisition.
3. Comprising
 - (a) 7,148,564 Shares held by Growth Capital (WA) Pty Ltd ATF The Richards Family Trust (an entity controlled by Mr Richards); and
 - (b) 15,669,167 held by Keliri Pty Ltd ATF the Ken Richards Family Superannuation Fund (an entity controlled by Mr Richards).
4. Held by Growth Capital (WA) Pty Ltd ATF The Richards Family Trust (an entity controlled by Mr Richards).

On completion of the issue of Shares under the Offer with Minimum Subscription (assuming no existing substantial Shareholder subscribes and receives additional Shares pursuant to the Offer and the Acquisition)

Shareholder	Shares	Options	Percentage (%) (undiluted)	Percentage (%) (fully diluted)
Ray Mountfort and Shirley Joy Mountfort ATF Mounties1 Family Trust ¹	590,700,000 ²	Nil	39.62%	37.65%

Notes:

1. Ray Mountfort and Shirley Joy Mountfort ATF Mounties1 Family Trust (**Founder Shareholder**) is an entity controlled by Mr Ray Mountfort, a Proposed Director.
2. The Consideration Shares to be issued to the Founder Shareholder are subject to the passing of the Acquisition Resolutions.

The Company will announce to the ASX details of its top-20 Shareholders following completion of the Offer prior to the Shares commencing trading on ASX.

5.12 Restricted Securities and Free Float

Subject to the Company being admitted to the Official List and completing the Offer, certain Shares will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these Shares are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

While the ASX has not yet confirmed the final escrow position applicable to the Company's Shareholders, the Company anticipates that:

- (a) 11,754,400 Shares to be issued, subject to Shareholder approval, to the Directors in lieu of amounts owed by the Company to its Directors;
- (b) 620,912,451 Shares to be issued to the related party Vendors in consideration of the Acquisition;
- (c) 10,000,000 Shares to be issued to Tegis in consideration for the provision of corporate, M&A and general corporate advisory support in respect of the Acquisition; and
- (d) the Securities to be issued under the Secondary Offers,

will be restricted from trading for a period of 24 months from the date of recommencement of trading of the Company's Shares on the Official List.

The number of Shares that are subject to ASX imposed escrow are at ASX's discretion in accordance with the ASX Listing Rules and underlying policy. The above is a good faith estimate of the Shares that are expected to be subject to ASX imposed escrow.

The Company will announce to the ASX full details (quantity and duration) of the Shares required to be held in escrow prior to the Shares commencing trading on ASX (which re-admission is subject to ASX's discretion and approval).

Upon the Minimum Subscription being raised under this Prospectus, the Company's 'free float', being the percentage of Shares not subject to escrow

and which are held by Shareholders that are not related parties or promoters of the Company (or their associates) at the time of admission to the Official List, will be approximately 48.54%, comprising all Shares on issue following completion of the Offers.

5.13 Additional Information

Prospective investors are referred to and encouraged to read in its entirety the:

- (a) Independent Limited Assurance Report in Annexure A for further information about the financial position of the Company; and
- (b) Intellectual Property Report in Annexure B for further details about the Company and EQ's registered intellectual property.

5.14 Dividend policy

The Company will seek to maximise the total return to Shareholders with a combination of capital growth and income, with the aim of allowing dividends to be paid to Shareholders provided the Company has sufficient profit reserves available and it is within prudent business practices to do so. The payment of any dividends is also subject to cash flow and franking credits.

Whilst it is the Board's current intention to implement a dividend payout ratio of 50%, the payment of and amount of any dividend will be at the discretion of the Board and will depend on a number of factors, including future earnings, capital requirements, financial conditions, future prospects and other factors that the Board deems relevant.

6. FINANCIAL INFORMATION

6.1 Introduction

The financial information (**Financial Information**) contained in this Section 6 is presented in respect of the proposed conditional share sale agreement (refer to Sections 9.2.1 and 9.2.2 for further details) by the Company to acquire all of the issued capital of EQ.

The Financial Information includes:

- (a) In relation to the Company, the historical statements of comprehensive income, historical statement of financial position and historical statement of cash flows for year ended 30 June 2018; the year ended 30 June 2019 and the year ended 30 June 2020;
- (b) in relation to EQ, the historical statements of comprehensive income, historical statement of financial position and historical statement of cash flows for the financial period from incorporation being 2 February 2017 to 30 June 2018, the year ended 30 June 2019 and the year ended 30 June 2020; and
- (c) the pro-forma statements of financial position as of 30 June 2020 based on a maximum subscription scenario.

6.2 Basis of preparation and presentation of Financial Information

The respective Directors of the Company and EQ are responsible for the preparation and presentation of the Financial Information. The Financial Information included in the Prospectus is intended to present potential investors with information to assist them in understanding the historical financial performance, cash flows and financial position of the Company and EQ together with the Pro-Forma Historical Statement of financial position for the Company and EQ combined as at 30 June 2020 after accounting for the proposed transactions.

The Financial Information is presented in an abbreviated form and does not include all of the presentation, disclosures, statements and comparative information as required by International Accounting Standards applicable to general purpose financial reports.

The Financial Information is presented in Australian dollars, which is the functional and presentation currency of both the Company and EQ.

Overview of the Company

Leaf Resources Ltd is an Australian listed public company limited by shares, incorporated and domiciled in Brisbane, Australia. The entity was incorporated on 23 July 1996 and is listed on the Australian Securities Exchange with the LER code. The principal activity of Leaf Resources Ltd is converting non-food plant biomass into useful, sustainable, renewable products. Leaf Resources Ltd controls 100% interest in the below entities unless otherwise stated:

- AQL Mining Ltd;
- Farmacule BioIndustries Pty Ltd;
- Leaf Sciences Pty Ltd;

- Leaf Research Pty Ltd;
- Leaf Performance Plan Pty Ltd
- Leaf Resources USA, LLC;
- Leaf Development LLC (80% ownership interest); and
- Leaf Malaysia OpCo Sdn Bhd.*

*Leaf Malaysia OpCo Sdn Bhd is owned 49% by Leaf Development LLC. Group ownership of Leaf Malaysia equates to 39% based on Leaf Resources ownership in Leaf Developments LLC.

The historical financial information of the Company, which appears in this Section, has been extracted from a Consolidated General-Purpose Financial Report that was prepared to reflect the position of the company and its subsidiaries for the financial years ended 30 June 2018, 2019 and 2020.

Overview of EQ

Essential Queensland Pty Ltd is an Australian company limited by shares, incorporated and domiciled in Maroochydore, Queensland, Australia. The entity was incorporated on 2 February 2017. The principal activity of Essential Queensland Pty Ltd is the continued development of its new natural extractive process to treat pine logs producing high quality, clean gum rosin and terpenes. Essential Queensland Pty Ltd has no interest in any other entities.

6.3 Basis of Historical and Pro-forma Financial Information

The Historical Financial Information has been derived from the financial statements of the Company and EQ for the financial years ended 30 June 2018, 2019 and 2020, noting the one exception being EQ was incorporated on 2 February 2017 and accordingly, the financial information for EQ under the 2018 columns is from 2 February 2017 to 30 June 2018.

The financial statements of the Company were audited by Grant Thornton Audit Pty Ltd and were unmodified, noting that a material uncertainty related to going concern was reported in each of the three years of reports.

The financial statements of EQ for the period from incorporation being 2 February 2017 to 30 June 2018, financial years ended 30 June 2019 and 2020 were audited by William Buck Audit (Vic) Pty Ltd in 2020 with an unmodified opinion being issued, noting that a material uncertainty related to going concern was reported by the auditor for the financial year ended 30 June 2020.

The Statutory Historical Statements of comprehensive income show the actual financial performance of the Company and EQ.

The Statutory Historical Statements of financial performance for the Company and EQ do not take into account one-off expenses related to the Offer, such costs have been taken up in the Pro Forma Statement of financial position as at 30 June 2020.

The Pro Forma Statement of Financial Position as at 30 June 2020 has been adjusted to account for the impact of the capital raising less transaction costs and any other significant financial matters relevant for disclosing the combined financial position of the Company and EQ as at 30 June 2020.

6.4 Historical Statements of Comprehensive Income

The Company

The table below sets out the Historical Statements of Comprehensive Income for the financial years ended 30 June 2018, 2019 and 2020 of the Company.

	Audited Historical FY2018	Audited Historical FY2019	Audited Historical FY2020
Revenue			
Other Income	958,207	3,246,269	668,832
Expenses			
Directors' & officers' fees & CEO	(730,092)	(650,315)	(408,716)
Professional fees	(124,486)	(607,043)	(239,600)
Employee benefits expense	(1,070,658)	(1,055,326)	(154,539)
Investor relations & corporate advisory	(307,943)	(245,807)	(138,921)
Impairment expense	-	-	(125,162)
Patent and licence fees	(26,152)	(135,705)	(119,169)
Research and development	(1,330,574)	(3,362,746)	(114,404)
Finance expense	9,801	(251,971)	(110,373)
Travel and accommodation	(277,197)	(492,296)	(88,747)
Business operations	(156,000)	(124,446)	(79,881)
Other expenses	(69,896)	(15,449)	(18,232)
Share of loss of equity accounted associate	(1,247,096)	(1,477,493)	(9,032)
Depreciation, amortisation	(8,578)	(1,601,036)	(6,253)
Mining lease expenses	(5,308)	(5,024)	(5,779)
Loss before income tax	(4,385,972)	(6,778,388)	(949,976)
Income tax expense	-	-	-
Loss after income tax	(4,385,972)	(6,778,388)	(949,976)
Other comprehensive income			
Exchange differences on translating foreign operations	(8,238)	81,866	165
Total comprehensive loss for the year attributable to equity holders of the	(8,238)	81,866	165

EQ

The table below sets out the Historical Statements of Comprehensive Income for the financial period from incorporation to 30 June 2018, financial years ended 30 June 2019 and 2020 of EQ.

	Audited Historical Period from Incorporation to 30 Jun 2018	Audited Historical FY2019	Audited Historical FY2020
Revenue			
Revenue	-	52,330	17,741
Research & Development Credits	220,199	712,249	637,216
Other Income	13,089	17,091	79,701
Expenses			
Employee & consultant expenses	(134,668)	(1,247,561)	(835,390)
Operating expenses	(137,639)	(336,507)	(301,111)
Depreciation, amortisation	(53,072)	(172,017)	(166,722)
Administrative expenses	(69,605)	(45,886)	(143,579)
Finance expense	(63,823)	(124,401)	(119,793)
Foreign currency loss	(953)	(618)	(52,386)
Loss on disposal of assets	-	(2,849)	(21,146)
Loss before income tax	(226,472)	(1,148,169)	(905,469)
Income tax expense	-	-	-
Loss after income tax	(226,472)	(1,148,169)	(905,469)
Other comprehensive income	-	-	-
Total comprehensive loss for the year attributable to equity holders of the Company	(226,472)	(1,148,169)	(905,469)

6.5 Historical Statements of Cash Flows

The Company

The table below sets out the Historical Statements of Cash Flows for the financial years ended 30 June 2018, 2019 and 2020 of the Company.

	Audited Historical FY2018	Audited Historical FY2019	Audited Historical FY2020
Cash Flows From Operating Activities			
Receipt from Customers	2,990	353,655	-
Government income	-	-	62,000
Interest Received	6,494	544	149
Interest Paid	-	-	(190,558)
R&D tax incentive refund credits	645,813	961,192	2,827,883
Payments to suppliers and employees	(3,346,343)	(6,583,852)	(1,691,256)
Net Cash used in Operating Activities	(2,691,046)	(5,268,461)	1,008,218
Cash Flows from Investing Activities			
Payments for investment in equity accounted joint venture	(1,537,554)	(1,027,165)	(9,032)
Purchase of property, plant & equipment	(521,494)	(700,380)	(3,964)
Net Cash used in Investing Activities	(2,059,048)	(1,727,545)	(12,996)
Cash flows from Financing Activities			
Proceeds from issue of shares	4,878,365	4,966,000	602,197
Share issue transaction costs	(143,946)	(289,445)	(25,133)
Proceeds / (Repayment) of borrowings	-	2,055,000	(1,730,000)
Payment of loan to associate	-	-	(125,162)
Net Cash flows from Financing Activities	4,734,419	6,731,555	(1,278,098)
Net increase / (decrease) in cash held	(15,675)	(264,451)	(282,876)
Cash at beginning of year	573,727	558,052	293,601
Cash at end of year	558,052	293,601	10,725

EQ

The table below sets out the Historical Statements of Cash Flows for the financial period from incorporation to 30 June 2018, financial years ended 30 June 2019 and 2020 of EQ.

	Audited Historical Period from Incorporation to 30 Jun 2018	Audited Historical FY2019	Audited Historical FY2020
Cash Flows From Operating Activities			
Receipt from customers	-	32,909	28,837
Other income	13,000	49,724	96,869
Interest Received	89	2,209	1,964
Interest Paid	(63,740)	(122,267)	(117,265)
R&D tax incentive refund credits	-	220,199	712,249
Payments to suppliers and employees	(366,818)	(1,067,587)	(1,198,840)
Net Cash used in Operating Activities	(417,469)	(884,813)	(476,186)
Cash Flows from Investing Activities			
Payments for plant and equipment	(288,228)	(53,379)	(452,757)
Payments of security deposits	(136,666)	-	-
Proceeds from disposal of plant and equipment	-	-	54,545
Net Cash used in Investing Activities	(424,894)	(53,379)	(398,212)
Cash flows from Financing Activities			
Proceeds from issue of shares	643,220	793,240	2,340,151
Share issue transaction costs	-	-	-
Payment of principal portion of lease costs	(19,434)	(231,919)	(261,541)
Proceeds from loan	248,685	368,398	217,417
Net Cash flows from Financing Activities	872,471	929,719	2,296,027
Net increase / (decrease) in cash held	30,108	(8,473)	1,421,629
Net foreign exchange difference	-	(618)	(52,386)
Cash at beginning of year	-	30,108	21,017
Cash at end of year	30,108	21,017	1,390,260

6.6 Historical Statement of Financial Position

The Company

The table below sets out the Historical Statements of Financial Position as at 30 June 2018, 2019 and 2020 of the Company.

	Audited Historical FY2018	Audited Historical FY2019	Audited Historical FY2020
Current Assets			
Cash and cash equivalents	558,052	293,601	10,725
Trade and other receivables	1,015,697	2,902,215	386,477
Total Current Assets	1,573,749	3,195,816	397,202
Non-Current Assets			
Plant and equipment	811,574	28,511	11,440
Investments accounted for using the equity method	368,462	-	-
Total Non-Current Assets	1,180,036	28,511	11,440
Total Assets	2,753,785	3,224,327	408,642
Current Liabilities			
Trade and other payables	1,178,515	1,289,665	649,168
R&D Financing Payable	-	1,905,722	-
Promissory Notes Payable	-	259,107	-
Employee benefits	120,693	304,688	188,905
Provisions	50,000	50,000	50,000
Total Current Liabilities	1,349,208	3,809,182	888,073
Non-Current Liabilities			
Employee benefits	34,390	753	695
Non-Current Borrowings	-	-	-
Total Non-Current Liabilities	34,390	753	695
Total Liabilities	1,383,598	3,809,935	888,768
Net Assets / (Deficiency)	1,370,187	(585,608)	(480,126)
Equity			
Issued capital	51,128,441	55,749,498	56,757,178
Reserves	1,163,367	922,969	927,541
Accumulated losses	(50,921,621)	(57,258,075)	(58,164,845)
Total Equity / (Deficiency)	1,370,187	(585,608)	(480,126)

EQ

The table below sets out the Historical Statements of Financial Position as at 30 June 2018, 2019 and 2020 of EQ.

	Audited Historical 2018	Audited Historical FY2019	Audited Historical FY2020
Current Assets			
Cash and cash equivalents	30,108	21,017	1,390,260
Trade and other receivables	258,801	733,508	657,124
Inventories	-	38,785	57,617
Other current assets	28,730	8,598	8,466
Total Current Assets	317,639	801,908	2,113,467
Non-Current Assets			
Plant and equipment	406,115	1,168,876	1,440,019
Right of use assets	1,180,741	1,119,404	1,058,067
Other non-current assets	124,642	117,328	117,069
Total Non-Current Assets	1,711,498	2,405,608	2,615,155
Total Assets	2,029,137	3,207,516	4,728,622
Current Liabilities			
Trade and other payables	17,752	149,180	116,635
Leases	46,153	251,969	176,051
Borrowings	255,744	15,691	233,282
Provisions	6,627	27,275	37,843
Total Current Liabilities	326,276	444,115	563,811
Non-Current Liabilities			
Leases	1,286,113	1,650,191	1,473,989
Total Non-Current Liabilities	1,286,113	1,650,191	1,473,989
Total Liabilities	1,612,389	2,094,306	2,037,800
Net Assets	416,748	1,113,210	2,690,822
Equity			
Issued capital	643,220	2,487,851	4,903,322
Reserves	-	-	67,610
Accumulated losses	(226,472)	(1,374,641)	(2,280,110)
Total Equity	416,748	1,113,210	2,690,822

6.7 Pro Forma Historical Statements of Financial Position as at 30 June 2020

The following table sets out the Historical Statement of financial position as at 30 June 2020 and Pro Forma Statement of financial position as at 30 June 2020 under the Maximum Subscription Scenario.

	Notes	Leaf Resources Audited Historical FY2020	Essential Queensland Audited Historical FY2020	Pro Forma Transactions Reviewed	Consolidated Reviewed Historical FY2020
Current Assets					
Cash and cash equivalents	2	10,725	1,390,260	3,681,831	5,082,816
Trade and other receivables		107,837	19,908	-	127,745
Research and development refund	3	278,640	637,216	(915,856)	-
Inventories			57,617	-	57,617
Other current assets			8,466	-	8,466
Total Current Assets		397,202	2,113,467	2,765,975	5,276,644
Non-Current Assets					
Plant and equipment	4	11,440	2,498,086	920,421	3,429,947
Other non-current assets		-	117,069	-	117,069
Total Non-Current Assets		11,440	2,615,155	920,421	3,547,016
Total Assets		408,642	4,728,622	3,686,396	8,823,660
Current Liabilities					
Trade and other payables	5	649,168	116,635	(235,088)	530,715
Lease Liabilities		-	176,051	-	176,051
Borrowings		-	233,282	-	233,282
Employee benefits		188,905	-	-	188,905
Provisions		50,000	37,843	-	87,843
Total Current Liabilities		888,073	563,811	(235,088)	1,216,796
Non-Current Liabilities					
Employee benefits		695	-	-	695
Lease liabilities		-	1,473,989	-	1,473,989
Total Non-Current Liabilities		695	1,473,989	-	1,474,684
Total Liabilities		888,768	2,037,800	(235,088)	2,691,480
Net Assets / (Deficiency)		(480,126)	2,690,822	3,921,484	6,132,180
Equity					
Issued capital	6	56,757,178	4,903,322	(46,616,009)	15,044,491
Reserves	7	927,541	67,610	(15,074)	980,077
Accumulated losses	8	(58,164,845)	(2,280,110)	50,552,566	(9,892,389)
Total Equity / (Deficiency)		(480,126)	2,690,822	3,921,484	6,132,180

Notes to the Pro Forma Historical Statements of Financial Position as at 30 June 2020

1. Pro Forma Adjustments

Adjustments adopted in compiling the Pro Forma Historical Financial Information

The following subsequent event transactions have occurred since 30 June 2020:

- During July 2020 EQ completed a capital raising through the issue of 1,787,879 ordinary shares at \$0.66 per share raising \$1,180,000. Costs in relation to the capital raising totalled \$70,800.
- Since 1 July 2020, EQ's cash position has decreased by approximately \$920,421 as a result of costs incurred in relation to the construction of the new Apple Tree Creek Plant. As a result, there has been a reduction in cash and increase in Plant & Equipment by this amount.
- Since 1 July 2020, EQ's cash position has increased by \$637,216 as a result of the receipt of Research and Development Refund amounts recognised as current receivables at 30 June 2020.
- Since 1 July 2020, LER's cash position has increased by \$278,640 as a result of the receipt of Research and Development Refund amounts recognised as current receivables at 30 June 2020.
- On 20 September 2020, 4,937,597 LER share options with an exercise price of \$0.11 expired.

The proposed pro forma transactions include:

- (a) Completion of a 20:17 share consolidation reducing the ordinary shares on issue in the Company from 354,099,144 to 300,984,273, share options from 12,473,718 to 10,602,663 and performance rights from 972,599 to 826,710;
- (b) The issue of 150,000,000 fully paid ordinary shares in the Company at \$0.02 each to raise \$3,000,000 before costs pursuant to the Offer;
- (c) The payment of cash costs in relation to the Offer estimated to be \$422,804;
- (d) Completion of the acquisition of EQ through the issue of 1,017,258,033 fully paid ordinary shares;
- (e) The issue of 10,000,000 fully paid ordinary shares in the Company to Tegis Pty Ltd (or its nominees) for its role as corporate advisor;
- (f) The issue of 11,754,400 fully paid ordinary shares in the Company (at an issue price of \$0.02 per Share) to Directors of LER on conversion of debt totalling \$235,088;
- (g) The issue of the following LER unlisted share options:
 - (i) 9,705,861 Class A LER share options with an exercise price of \$0.03 and expiry of 31 October 2021; and
 - (ii) 24,750,000 Class B LER share options with an exercise price of \$0.023 and expiry of 1 March 2025

The above LER share options were issued as consideration for the cancellation of the following EQ share options:

- (i) 294,117 EQ share options with an exercise price of \$1.00 and expiry of 31 October 2021; and
 - (ii) 750,000 EQ share options with an exercise price of \$0.85 and expiry of 1 March 2025.
- (h) The issue of 33,000,000 LER performance rights with both performance and retention vesting conditions. The performance rights have a nil exercise price and expiry of 3 August 2023. The performance rights were issued as consideration for the cancellation of 1,000,000 EQ performance rights with the same terms as the LER performance rights being issued.

2. Cash and Cash Equivalents

		Leaf Resources	Essential Queensland	Pro Forma Transactions	Consolidated
		Audited	Audited	Reviewed	Reviewed
		Historical	Historical		Historical
	Note	FY2020	FY2020		FY2020
Cash and cash equivalents		10,725	1,390,260	3,681,831	5,082,816
Subsequent Events					
EQ proceeds from July capital raising (net of costs)	1(i)			1,109,200	
EQ Capital expenditure on Apple Tree Creek plant	1(ii)			(920,421)	
EQ receipt of research & development refund	1(iii)			637,216	
LER receipt of research & development refund	1(iv)			278,640	
Pro Forma Transactions					
Proceeds from the offer pursuant to the prospectus	1(vii)			3,000,000	
Capital raising costs	1(viii)			(422,804)	
Net Pro Forma Transactions				3,681,831	

3. Research and development refund

		Leaf Resources	Essential Queensland	Pro Forma Transactions	Consolidated
		Audited	Audited	Reviewed	Reviewed
		Historical	Historical		Historical
Note		FY2020	FY2020		FY2020
	Research and development refund	278,640	637,216	(915,856)	-
	Subsequent Events				
	EQ receipt of research & development refund			(637,216)	
	LER receipt of research & development refund			(278,640)	
	Net Pro Forma Transactions			(915,856)	

4. Plant and equipment

		Leaf Resources	Essential Queensland	Pro Forma Transactions	Consolidated
		Audited	Audited	Reviewed	Reviewed
		Historical	Historical		Historical
Note		FY2020	FY2020		FY2020
	Plant and equipment	11,440	2,498,086	920,421	3,429,947
	Subsequent Events				
	EQ capital expenditure on Apple Tree Creek plant			920,421	
	Net Pro Forma Transactions			920,421	

5. Trade and other payables

		Leaf Resources	Essential Queensland	Pro Forma Transactions	Consolidated
		Audited	Audited	Reviewed	Reviewed
		Historical	Historical		Historical
Note		FY2020	FY2020		FY2020
	Trade and other payables	649,168	116,635	(235,088)	530,715
	Pro Forma Transactions				
	Shares issued on conversion of debt to equity			(235,088)	
	Net Pro Forma Transactions			(235,088)	

6. Issued capital

		Leaf Resources	Essential Queensland	Pro Forma Transactions	Consolidated
		Audited	Audited	Reviewed	Reviewed
		Historical	Historical		Historical
Note		FY2020	FY2020		FY2020
<hr/>					
Issued capital		56,757,178	4,903,322	(46,616,009)	15,044,491
<hr/>					
Subsequent Events					
EQ July capital raising	1(i)			1,180,000	
Costs associated with EQ July Capital Raising	1(i)			(70,800)	
Pro Forma Transactions					
Reverse acquisition of LER	1(ix)			(50,737,493)	
Issue of share capital under the prospectus	1(vii)			3,000,000	
Costs associated with the share issue pursuant to this prospectus	1(viii)			(422,804)	
Shares issued to corporate advisor	1(x)			200,000	
Shares issued on conversion of debt to equity	1(xi)			235,088	
Net Pro Forma Transactions				<u>(46,616,009)</u>	

7. Reserves

		Leaf Resources	Essential Queensland	Pro Forma Transactions	Consolidated
		Audited	Audited	Reviewed	Reviewed
		Historical	Historical		Historical
Note		FY2020	FY2020		FY2020
<hr/>					
Reserves		927,541	67,610	(15,074)	980,077
<hr/>					
Pro Forma Transactions					
LER Expired Options	1(ix)			(206,787)	
Cancellation or modification of options	1(xii), 1(xiii)			216,554	
Reverse acquisition of LER	1(vi)			(24,840)	
Net Pro Forma Transactions				<u>(15,074)</u>	

8. Accumulated Losses

		Leaf Resources	Essential Queensland	Pro Forma Transactions	Consolidated
		Audited	Audited	Reviewed	Reviewed
		Historical	Historical		Historical
Note		FY2020	FY2020		FY2020
<hr/>					
Accumulated Losses		(58,164,845)	(2,280,110)	50,552,566	(9,892,389)
<hr/>					
Pro Forma Transactions					
LER Expired Options	1(ix)			206,787	
Reverse acquisition of LER	1(ix)			50,762,333	
Cancellation or modification of options	1(xii), 1(xiii)			(216,554)	
Shares issued to corporate advisor	1(x)			(200,000)	
Net Pro Forma Transactions				<u>50,552,566</u>	

6.8 Summary of Significant Accounting Policies

The financial information presented herein has been prepared in accordance with the measurement and recognition (but not all disclosure) requirements of applicable International Accounting Standards. The financial information is presented in abbreviated form insofar as it does not comply with all disclosure requirements set out in the Australian Accounting Standards and Interpretations and the Corporations Act. Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (**AIFRS**).

The financial information has been prepared on the basis of historical cost and on a going concern basis. Cost is based on the fair values of the consideration given in exchange for assets. In the view of the Directors of the company, the omitted disclosures provide limited relevant information to potential investors.

The following significant accounting policies have been adopted in the preparation and presentation of the historical and Pro Forma financial information

The Financial Information has been prepared on an accruals basis and is based on historical costs, unless otherwise stated.

Revenue recognition

Revenue from Research & Development credits and Government Grants

Revenue is recognised on an accrual basis when it can be reliably measured and when the receipt of credits is highly probable.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there

is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Leases

The Group leases operational sites, motor vehicles and plant and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease Liabilities

Lease liabilities include the net present value of the following lease payments:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the Group under residual value guarantees;
- (d) the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases that relate to building premises, the entity's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, making adjustments specific to the lease (e.g. term, country, currency and security).

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use Assets

Right-of-use assets are measured at cost comprising the following:

- (a) the amount of the initial measurement of lease liability;
- (b) any lease payments made at or before the commencement date less any lease incentives received;
- (c) any initial direct costs, and
- (d) restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Extension options are only included in the lease term if the lease is reasonably certain to be extended.

Trade and other payables

Trade payables and other payables are carried at amortised cost and due to their short-term nature are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit and loss net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. The increase in the provisions resulting from the passage of time is recognised as a finance cost.

Employee entitlements

Provision is made for employee entitlements accumulated as a result of employees rendering services up to the reporting date. These entitlements include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits due to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are

expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on corporate bonds, which have terms to maturity approximating the terms of the related liabilities, are used.

Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction net of tax of the share proceeds received.

Share-based payments

The Company makes equity-settled share-based payments to directors, employees and other parties for services provided. Where applicable, the fair value of the equity is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market price. The fair value of options is ascertained using a black sholes option pricing model which incorporates all market conditions. Where applicable, the number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Goods and Services Tax (GST) and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best

interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which enough data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Contingent Liabilities

There are no contingent liabilities at 30 June 2020.

6.9 Critical Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management of the respective entities to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Going Concern

The going concern basis of the proposed business combination of the Company and EQ is based upon the continued support of key stakeholders in these businesses and the successful outcome of the proposed transactions. These conditions give rise to a material uncertainty which may cast significant doubt over the ability of the proposed business combination of the Company and EQ to continue as a going concern.

Notwithstanding the above, the Directors of the Company consider it appropriate to prepare the pro forma financial information on a going concern basis as the proposed transactions will strengthen the profitability and longer-term viability of the combined businesses, create efficiencies and synergies and provide adequate capital to invest in accordance with the use of funds disclosed at Section 5.9 and to manage its working capital for the 12 months after the date of this Prospectus.

Should the proposed business combination of the Company and EQ be unable to continue as a going concern, it may be required to realise its assets and

liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

The pro forma financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amount and classification of liabilities that might be required should the Company not be able to achieve the matters set out above and thus be able to continue as a going concern.

6.10 Subsequent events

There are no other material subsequent events since 30 June 2020 unless otherwise noted as a prof-forma adjustment as described in the financial information section above.

7. RISK FACTORS

7.1 Introduction

The Securities offered under this Prospectus should be considered as highly speculative and an investment in the Company is not risk free.

The future performance of the Company and the value of the Securities may be influenced by a range of factors, many of which are largely beyond the control of the Company and the Directors. The key risks that have a direct influence on the Company, the Apple Tree Creek Plant and activities are set out in Section 3. Those key risks as well as other risks associated with the Company's business, the industry in which it operates and general risks applicable to all investments in listed securities and financial markets generally are described below.

The risks factors set out in this Section 7, or other risk factors not specifically referred to, may have a materially adverse impact on the performance of the Company and the value of the Securities. This Section 7 is not intended to provide an exhaustive list of the risk factors to which the Company is exposed.

The Directors strongly recommend that prospective investors consider the risk factors set out in this Section 7, together with all other information contained in this Prospectus.

Before determining whether to invest in the Company you should ensure that you have a sufficient understanding of the risks described in this Section 7 and all of the other information set out in this Prospectus and consider whether an investment in the Company is suitable for you, taking into account your objectives, financial situation and needs.

If you do not understand any matters contained in this Prospectus or have any queries about whether to invest in the Company, you should consult your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

7.2 Company specific risks

Risk Category	Risk
Completion risk	<p>Subject to the execution of each of the Acquisition Agreements, the Company will agree to acquire 100% of the issued capital of EQ, completion of which is subject to the fulfilment of certain conditions.</p> <p>The Company notes that as at the date of the Prospectus, not all of the Minority Shareholder SSA's have been executed.</p> <p>As such, there is a risk that:</p> <ul style="list-style-type: none">• not all of the Minority Shareholder SSA's will be executed; or• if all the Acquisition Agreements are executed, the conditions for completion of the Acquisition cannot be fulfilled, <p>and, in turn, that completion of the Acquisition of EQ does not occur.</p> <p>If the Acquisition is not completed, the Company will incur costs relating to advisors and other costs without any material benefit being achieved.</p>
Re-Quotation of Shares on ASX	<p>Undertaking the Acquisition constitutes a significant change in the nature and scale of the Company's activities and the Company</p>

Risk Category	Risk
	<p>needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the Official List of ASX.</p> <p>There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.</p>
Going concern risk	<p>The Company's financial report for the year ended 30 June 2020 (released to ASX on 26 October 2020) includes notes on the financial condition of the Company Group and the possible existence of a material uncertainty about the Company Group's ability to continue as a going concern.</p> <p>Notwithstanding the 'going concern' paragraph included in the Company's financial reports, the Directors believe that upon the successful completion of the Offer, the Company will have sufficient funds to adequately meet the Company's current expenditure commitments and short term working capital requirements. However, it is highly likely that further funding will be required to meet the medium to long term working capital costs of the Company. Please refer to the "Additional requirements for capital" risk set out below for further details.</p>
Additional requirements for capital	<p>The funds to be raised under the Offer are considered sufficient to meet the immediate objectives of the Company. Additional funding may be required in the event costs exceed the Company's estimates and to effectively implement its business and operational plans in the future to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur. If such events occur, additional funding will be required.</p> <p>Following completion of the Offer, the Company may seek to raise further funds. Failure to obtain sufficient financing for the Company's activities may result in delay and indefinite postponement of their activities and the proposed commercialisation, marketing and international expansion strategy. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing may not be favourable to the Company and might involve substantial dilution to Shareholders.</p>
Patent risk	<p>Securing rights to intellectual property, and in particular patents, is an integral part of securing potential product value from the outcomes of pharmaceutical research and development. Competition in retaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to expensive and lengthy patents disputes for which there can be no guaranteed outcome.</p> <p>The granting of a patent does not guarantee that the rights of others are not infringed nor that competitors will not develop competing intellectual property that circumvents such patents. The Company and EQ's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties.</p>

Risk Category	Risk
	<p>Although the Company and EQ is not aware of any third party interests in relation to the intellectual property rights of their respective intellectual property, and each party taken steps to protect and confirm its interest in these rights, there is always a risk of third parties claiming involvement in technological and medical discoveries, and if any disputes arise, they could adversely affect the Company or EQ.</p> <p>Although the Company and EQ will implement all reasonable endeavours to protect its respective intellectual property, there can be no assurance that these measures have been, or will be sufficient.</p> <p>For further details relating to Leaf and EQ's intellectual property rights, refer to the Intellectual Property Report at Annexure B.</p>
Knowhow risk	<p>There may be information leakage or parties may infringe on the intellectual property of the Company or EQ, or duplicate its knowhow. Non-compete clauses are contained in the employment contracts of all existing staff of EQ and the Company. The Company also notes that EQ's knowhow is a combination of over 30 years of experience, including information that is not documented.</p> <p>For further details relating to Leaf and EQ's intellectual property rights, refer to the Intellectual Property Report at Annexure B.</p>
Concentration risk	<p>Having a single major customer can create significant commercial risks. Only having a single major customer means that the Company may be significantly impacted by events impacting that customer.</p> <p>However, there is demand from other parties for product offtake. The Company and EQ will seek to mitigate buyer risk by securing offtake from other parties.</p>
Counterparty risk	<p>The Company and EQ has entered into various agreements with third parties. Any cessation of or delay in the performance of the counterparty's obligations or the counterparty's failure to comply with its contractual obligations could also have a significant adverse impact on the Company's operations and ultimately the financial performance of the Company and the value of the Company's securities.</p> <p>As at the date of this Prospectus, the Company and EQ have no reason to believe that any of the counterparties it has contracted with will not meet and satisfy their obligations under relevant contracts.</p> <p>In the event that any of the Company or EQ's counterparties become insolvent, it may be difficult for the Company or EQ to enforce its rights under the relevant agreements. As such, if any of the Company or EQ's counterparties cease to be financially viable, this may negatively impact the ongoing financial performance of the Company.</p>
Demand risk	<p>Although the Company and EQ have long-standing relationships with a number of its key customers, most sales are achieved on a spot or short-term contractual basis. There can be no guarantee that these relationships will continue or, if they do continue, that these relationships will generate sales equal to or greater than those achieved historically.</p> <p>There is a risk that the Company lose customers or suffer from a decline in demand from customers for a variety of reasons, including the following:</p> <ul style="list-style-type: none"> long-term demand factors that are out of the Company's control that affect the market for the Company's products generally;

Risk Category	Risk
	<ul style="list-style-type: none"> • medium-term demand factors affecting the market generally, individual importing countries or customers; and • short-term demand factors affecting individual importing countries and customers, such as temporary plant shutdowns, force majeure events and stock surplus. <p>As to product quality, conformity to contractual specifications is critical. Each export contract contains similar requirements which the product must meet. If contractual specifications are not met, or if the product quality or service delivered by the Company is not at a level expected by a customer, there is a risk that on-going custom from that customer may reduce or cease entirely. The loss of key customers, or a diminution in their custom, may materially and adversely impact the Company's revenue and profitability.</p>
Supply risk	<p>There is a risk that the Company may not be able to secure pine log supply necessary to meet customer demand. This risk is most strongly influenced by:</p> <ul style="list-style-type: none"> • whether plantation operators continue to grow plantation trees after the harvest of a rotation, having regard to prevailing land prices and best economic use of the plantation land; • competition from other plantation investors for the acquisition of plantations • competition from current and potentially future rivals for the acquisition of plantation land or its offtake; and • competition from acquirers of plantation trees for alternative purposes, such as the production of biofuels. <p>The Company, through EQ, will initially acquire pine logs from HQ Plantations (refer to Section 9.3.1 for further information). There is a risk that committed pine log supply is lost through the lapse or termination of relevant supply arrangements.</p> <p>Lack of supply, or lack of supply at an acceptable price, may materially and adversely impact the Company's revenue and profitability.</p>
Plant commissioning risk	<p>EQ may not be able to develop the Plant in a reliable or functional manner. As set out in Section 5.6(c), completing the construction of the Apple Tree Creek Plant is a key dependency of the Company's business plan.</p> <p>The resin processing pilot plant has been deployed and tested for over a year processing up to 75 tonnes of logs per day. EQ believes any technical risks to a for its commercial plant would be minor.</p>
Costs	<p>Like any similar business operating within the industry, the Company's profitability could be materially and adversely affected by increases in costs which are in many respects beyond its reasonable control. These include, without limitation, the costs of electricity, fuel, labour and harvesting and haulage costs.</p>
Competition risk	<p>The industry in which the Company will be involved is subject to domestic and global competition. Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company.</p>

Risk Category	Risk
	Further, there is a risk that the Company's business will be rendered less competitive by the emergence of new technology or competitors.
Take or pay contract risk	<p>As set out in Section 9.3.1, EQ has entered into a an agreement with HQPlantations under which HQ Plantations has agreed to supply and EQ has agreed to buy pine logs. This agreement a provision that the Company (through EQ) must make payments to HQ Plantations in pre-determined percentages of the full supply volume in the event that the Company does not require the full 15,000 tonnes per annum of pine logs from HQ Plantations.</p> <p>If productivity at Apple Tree Creek Project is lower than expected (for example, because the Plant cannot process the logs delivered by HQ Plantations), the Company will nevertheless be required to pay for the logs at the contracted rates, and to that extent may be paying for logs it does not require, or is not able to achieve sales to cover this cost, which may have an adverse effect on the Company's business, its financial performance and its cash flows.</p>

7.3 Industry specific risks

Risk Category	Risk
Regulatory or political risks	<p>The Company is subject to a range of legal, regulatory and industry compliance requirements including those relating to the environment, occupational health and safety, and transport chain of responsibility. There is a risk that changes to such laws, regulations and industry compliance standards would impose substantial increased costs of conducting business and, potentially, render uneconomic certain commercial activities undertaken today by the Company in the ordinary course of conducting its business.</p> <p>There is also a risk that if the Company fails to comply with these laws, regulations and industry compliance standards, this may result in increased compliance costs, fines, statutory orders, litigation and, potentially, significant reputational damage. All of these may have a materially adverse impact on the Company's revenue and profitability.</p>
Currency risk	Some transactions occur in a foreign currency, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, potentially exposing the Company to the fluctuations and volatility of the rate of exchange between foreign currencies and the Australian dollar as determined in international markets. For example, an appreciating Australian dollar may make EQ less competitive globally.
Commodity price risk	<p>The Company is intending to derive revenue through the sale of rosin and terpene chemicals exposes the potential income of the Company to commodity price and exchange rate risks. The prices for rosin and terpene chemicals fluctuate and are affected by many factors beyond the control of the Company.</p> <p>The Company intends to sell 100% of its production at market spot rates. The market is defined as a worldwide commodity and both rosin and terpene chemicals are sold by open and closed bidding processes directly to consuming chemical companies and selling agents. The Company will sell to both types of buyers.</p>
Force Majeure	The Apple Tree Creek Plant now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

7.4 General risks

Risk Category	Risk
Coronavirus (COVID-19)	<p>The outbreak of the coronavirus disease (COVID-19) is impacting global economic markets. The nature and extent of the effect of the outbreak on the performance of the Company remains unknown. The Company's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. Further, any governmental or industry measures taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the Company.</p> <p>The Directors are monitoring the situation closely and have considered the impact of COVID-19 on the Company's business and financial performance. However, the situation is continually evolving, and the consequences are therefore inevitably uncertain.</p>
Additional requirements for capital	<p>The Company's capital requirements depend on numerous factors. The Company may require further financing in addition to amounts raised under the Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.</p>
Reliance on key personnel	<p>The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.</p> <p>The Company may not be able to replace its senior management or key personnel with persons of equivalent expertise and experience within a reasonable period of time or at all and the Company may incur additional expenses to recruit, train and retain personnel. Loss of such personnel may also have an adverse effect on the performance of the Company.</p>
Economic	<p>General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's development and production activities, as well as on its ability to fund those activities.</p>
Competition risk	<p>The industry in which the Company will be involved is subject to domestic and global competition. Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Apple Tree Creek Plant and business.</p>
Market conditions	<p>Share market conditions may affect the value of the Company's Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:</p> <ul style="list-style-type: none"> • general economic outlook; • introduction of tax reform or other new legislation; • interest rates and inflation rates; • changes in investor sentiment toward particular market sectors; • the demand for, and supply of, capital; and • terrorism or other hostilities.

Risk Category	Risk
	<p>The market price of Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.</p> <p>Applicants should be aware that there are risks associated with any securities investment. Securities listed on the stock market experience extreme price and volume fluctuations that have often been unrelated to the operating performance of such companies. These factors may materially affect the market price of the Shares regardless of the Company's performance.</p> <p>Further, after the end of the relevant escrow periods affecting Shares in the Company, a significant sale of then tradeable Shares (or the market perception that such a sale might occur) could have an adverse effect on the Company's Share price. Please refer to Section 5.12 for further details on the Shares likely to be classified by the ASX as restricted securities.</p>
Insurance	<p>The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.</p> <p>Insurance of all risks associated with the Company's activities are not always available and where available the costs can be prohibitive.</p>
Taxation	<p>The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.</p> <p>To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.</p>
Litigation Risks	<p>The Company is exposed to possible litigation risks including native title claims, tenure disputes, environmental claims, occupational health and safety claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, reputation, financial performance and financial position. The Company is not currently engaged in any litigation.</p>
Climate change risks	<p>There are a number of climate-related factors that may affect the operations and proposed activities of the Company. The climate change risks particularly attributable to the Company include:</p> <ul style="list-style-type: none"> the emergence of new or expanded regulations associated with the transitioning to a lower-carbon economy and market changes related to climate change mitigation. The Company may be impacted by changes to local or international compliance regulations related to climate change mitigation efforts, or by specific taxation or penalties for carbon emissions or environmental damage. These examples sit amongst an array of possible restraints on industry that may further impact the Company and its profitability. While the Company will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that

Risk Category	Risk
	<p>the Company will not be impacted by these occurrences; and</p> <ul style="list-style-type: none"> • climate change may cause certain physical and environmental risks that cannot be predicted by the Company, including events such as increased severity of weather patterns and incidence of extreme weather events and longer-term physical risks such as shifting climate patterns. All these risks associated with climate change may significantly change the industry in which the Company operates.

7.5 Investment speculative

The risk factors described above, and other risks factors not specifically referred to, may have a materially adverse impact on the performance of the Company and the value of the Securities.

Prospective investors should consider that an investment in the Company is highly speculative.

There is no guarantee that the Securities offered under this Prospectus will provide a return on capital, payment of dividends or increases in the market value of those Shares.

Before deciding whether to subscribe for Shares under this Prospectus you should read this Prospectus in its entirety and consider all factors, taking into account your objectives, financial situation and needs.

8. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

8.1 Directors and key personnel

On completion of the Acquisition, it is proposed that:

- (a) current Directors Mr Alex Baker, Mr William Baum and Mr Matt Morgan will resign;
- (b) current Chairman Mr Doug Rathbone will remain as a Non-Executive Director;
- (c) current Director Mr Ken Richards will be appointed as Non-Executive Chairman;
- (d) proposed Directors Mr Ray Mountfort and Mr Grant Yeatman will be appointed as Executive Directors; and
- (e) proposed Director Mr Terence Gray will be appointed as a Non-Executive Director.

Accordingly, at the time of the Company's re-listing the Board will be comprise the following persons:

Mr Ken Richards *(Proposed Non-Executive Chairman)*

Mr Ken Richards has more than 30 years' experience as a Chief Executive and Managing Director across both public and private companies in the agriculture, finance and technology sectors.

Throughout his executive career, Mr Richards has developed a strong track record for growing and transitioning start-up companies from concept phase through to commercialisation. Along the way he has completed corporate transactions including capital raisings, takeovers and asset sales well in excess of \$200m.

Mr Richards was previously the Managing Director the Company from August 2011 until February 2019.

Mr Richards is a fellow of the Australian Institute of Company Directors and was previously a board member of Golf Australia and Deputy Chairman of Surf Life Saving (WA). He holds a Bachelor of Commerce and Master of Business Administration (MBA) degrees from the University of WA.

Upon completion of the Acquisition of EQ, Mr Ken Richards will be appointed as Non-Executive Chairman of the Company.

The Board considers Mr Richards to be an independent Director.

Mr Douglas Rathbone AM *(Non-Executive Director)*

Mr Rathbone has extensive experience in chemical engineering and commerce.

Mr Rathbone joined the Board of Leaf Resources in 2016 and is currently the Chairman of Rathbone Wine Group and Delta Agribusiness, a Director of Cotton Seed Distributors, GO Resources, Queenscliff Harbour, AgBiTech, and Cann Group (ASX:CAN). Mr Rathbone is the former Chief Executive Officer of Nufarm Ltd (ASX:NUF).

Upon completion of the Acquisition of EQ, Mr Rathbone will step down as Chairman and will continue in a Non-Executive Director capacity.

The Board considers Mr Rathbone will be an independent Director.

Mr Ray Mountfort *(Proposed Managing Director)*

For the last 20 years Mr Mountfort has primarily been involved in the Pine Chemicals Industry, working to establish his vision of sustainable natural hydrocarbon based chemical production.

Mr Mountfort has extensive worldwide networks of customers, pine chemicals producers and technical stakeholders in pine chemicals industry. A leader and visionary that has learnt how to take people on the journey and can demonstrate the courage, resilience and perseverance to always find a way to get the job defined and completed. For the last three years, Mr Mountfort has been developing EQ.

The Board does not consider Mr Mountfort to be an independent Director.

Mr Grant Yeatman *(Proposed Executive Director and Chief Operating Officer)*

Mr Yeatman is a co-founder having been involved in EQ since starting in Australia, providing guidance on IP development, management and growth of the company. Grant brings extensive processing, management, marketing, supply chain & logistics as well as R & D experience from both this project and the US oil industry. Grant is still active in the management of investment funds and owns part of waste-water disposal companies in the USA. He holds an Honours Degree in Strategic Management and Marketing alongside his experience as an import/export customs broker.

The Board does not consider Mr Yeatman to be an independent Director.

Mr Terence Gray *(Proposed Non-Executive Director)*

Mr Gray is the principal of Tegis Pty Ltd (a Corporate Authorised Representative No 001282656 of Sequoia Wealth Management Pty Limited, AFSL No. 472387) offering investment management and corporate advisory services.

Mr Gray was a Non-Executive Director of Spirit Telecom Limited, an ASX listed telecommunications company from 2014 to 2020 and Chair of the Audit and Risk Committee during his tenor. Previous roles include Head of Equities at ANZ Funds Management, Chief Investment Officer at Allianz Equity Management, Head of Research at Allianz Dresdner Asset Management, Director of Corporate Finance at Grange Securities and Corporate Consultant nominated as a Responsible Manager for Lodge Partners stockbroking.

Mr Gray has deep knowledge of funds management and the Australian equity market providing expertise in company valuation, corporate financing and M&A activity.

Mr Gray is currently a Director of Synergen Met Pty Ltd, operating innovative industrial technology.

The Board considers Mr Gray will be an independent Director.

8.2 Advisory Board

it is proposed that Mr Alex Baker and Mr William Baum (both of whom are existing Directors) will be engaged by the Company in a consultancy capacity to form an advisory board reporting to the Board of Directors of the Company advising on technical, research and development matters relating to the production of pine chemicals and the Glycell™ process.

Mr Alex Baker

Mr Alex Baker is an experienced executive with over 25 years multi-sector experience in the life sciences, biopharma and industrial biotechnology areas delivering product innovation, leadership and business management. He is the Managing Director of Leaf having prior experience in a range of companies including listed Australian stock exchange (ASX) groups and was part of the listing team for one of Australia's largest IPO's in the biotech/specialty pharma sector. Alex holds a Master of Technology Management, Graduate Diploma in Biotechnology and a Bachelor of Science and is a member of the Australian Institute of Company Directors.

Mr William Baum

Mr Baum has been an independent consultant in the bio-based chemicals and fuel industry since 2014. From 2010 to early 2014, Mr Baum was Executive Chairman and Chief BD Officer at Genomatica, where he negotiated and closed major partner and licensing deals. He served on the Genomatica Board from 2006 to 2016. He has held a variety of executive positions both in the US and internationally, serving the oil refining, petrochemicals and pulp & paper and chemical industries.

Mr Baum continues to be engaged as a business strategy and deal transaction consultant with a number of renewable and sustainable companies working in biofuels, biobased chemicals, agbiotech/biomass and human/animal nutrition. Bill serves as a board director of Gevo Inc., a publicly traded biofuels company based in Colorado; Arzeda, Inc., a computational systems biology company in Seattle, Washington and Watt Companies, a commercial real estate company in Santa Monica, California. Mr Baum holds a BS in Chemistry from Widener University.

The Company is aware of the need to have sufficient management to properly manage the business and the Board will continually monitor the management roles in the Company. The Board may look to appoint additional management and/or consultants when and where appropriate to ensure proper management of the Company.

8.3 Key management

Drew Speedy *(Proposed Chief Financial Officer)*

Mr Speedy has held numerous finance roles within ASX listed companies over the past 19 years. Most recently he was CFO and Company Secretary of UIL Energy Ltd until its (Board Recommended) takeover by Strike Energy Ltd. Prior to that he was Financial Controller of Bow Energy Ltd until its sale to Arrow Energy and has held senior finance roles with other companies including Arrow Energy, Blue Energy and Queensland Gas Company during the company's market cap growth phase from \$20 million to ~\$2 billion.

Mr Speedy has extensive experience in company financial reporting, regulatory and governance areas, business acquisition and disposal due diligence and capital raisings.

Mr Speedy has a Bachelor of Business from the Queensland University of Technology. He is a member of the Certified Practicing Accountants and the Governance Institute of Australia.

Tim Pritchard *(Company Secretary)*

Tim Pritchard joined the Company in 2017 as Chief Financial Officer and Company Secretary. Mr Pritchard has over 20 years management experience in finance, accounting, consulting, project management and information technology. In addition to extensive accounting experience, he has led a number of successful business transformation and system implementation assignments that have resulted in significantly improved financial processes and business systems.

Before joining the Company, Mr Pritchard was most recently engaged as the Chief Financial Officer and Company Secretary of ReNu Energy, an ASX listed renewable energy company. He is also the current Chief Financial Officer for Edge Early Learning Pty Ltd and for Evocra Pty Ltd. Mr Pritchard resigned from the position of Chief Financial Officer in September 2019 but remains as Company Secretary.

The Company is aware of the need to have sufficient management to properly supervise its operations and the Company has, or will in the future have, an interest and the Board will continually monitor the management roles in the Company. As the Company requires an increased level of involvement the Board will look to appoint additional management and/or consultants when and where appropriate to ensure proper management of the Company.

8.4 Disclosure of interests

Remuneration

Details of the Directors' and Proposed Directors' remuneration for the previous two completed and the current financial year (on an annualised basis) are set out in the table below:

Director	Remuneration for the year ended 30 June 2019 ¹	Remuneration for the year ended 30 June 2020 ¹	Proposed remuneration for year ended 30 June 2021
Mr Doug Rathbone	\$109,059	\$84,706	\$65,700
Mr Ken Richards	\$266,667	\$30,441	\$131,400
Mr Alex Baker	\$160,403	\$228,186	\$57,600 ²
Mr William Baum	\$50,000	\$33,333	\$30,000 ²
Mr Matthew Morgan	\$50,000	\$33,333	\$0

Notes:

1. Comprising cash salary and fees.
2. Including consultancy fees to be paid to Mr Baker and Mr Baum in consideration for services to be provided in their capacity as members of the Company's advisory board. For further information relating to the advisory board, refer to Section 8.2.

Proposed Director	Remuneration for the year ended 30 June 2019	Remuneration for the year ended 30 June 2020	Proposed remuneration per annum ¹
Mr Ray Mountfort	Nil	Nil	\$353,000
Mr Grant Yeatman	Nil	Nil	\$243,500
Mr Terence Gray	Nil	Nil	\$65,700

Notes:

1. Comprising cash salary and fees, superannuation and benefits. This figure does not include any further bonuses that may be received by the Proposed Director. Refer to section 9.4 for further details regarding the agreements entered into by the Proposed Directors.

Interests in Securities

As at the date of this Prospectus

Directors are not required under the Company's Constitution to hold any Shares to be eligible to act as a director. As at the date of this Prospectus, the Directors and Proposed Directors have relevant interests in securities as follows:

Director / Proposed Director	Shares ¹	Options ¹	Performance Rights	Percentage (%) (Undiluted)	Percentage (%) (Fully Diluted)
Directors					
Mr Doug Rathbone	12,481,091	2,550,000	Nil	4.14%	4.81%
Mr Ken Richards	22,817,731	1,275,000	Nil	7.56%	7.71%
Mr Alex Baker	3,351,586	2,125,000	Nil	1.11%	1.75%
Mr William Baum	Nil	680,000	Nil	0%	0.22%
Mr Matthew Morgan	1,915,236	680,000	Nil	0.63%	0.83%
Proposed Directors					
Mr Ray Mountfort	Nil	Nil	Nil	0%	0%
Mr Grant Yeatman	Nil	Nil	Nil	0%	0%
Mr Terence Gray	3,435,339	Nil	Nil	1.14%	1.10%

Notes:

1. Subject to rounding on completion of the Acquisition.

Post-completion of the Offers and Acquisition

Director/Proposed Director	Shares ¹	Options ¹	Performance Rights	Percentage (%) (Undiluted)	Percentage (%) (Fully Diluted)
Directors					
Mr Doug Rathbone	16,582,941	2,550,000	Nil	1.11%	1.22%
Mr Ken Richards	71,222,081	35,730,861	Nil	4.78%	6.82%
Mr Alex Baker	4,857,786	2,125,000	Nil	0.33%	0.45%
Mr William Baum	1,041,650	680,000	Nil	0.07%	0.11%
Mr Matthew Morgan	2,373,586	680,000	Nil	0.16%	0.19%
Proposed Directors					
Mr Ramon Mountfort	590,700,000	Nil	Nil	39.62%	37.65%
Mr Grant Yeatman	58,162,500	Nil	16,500,000	3.90%	4.76%
Mr Terence Gray	12,185,339	Nil	16,500,000	0.82%	1.83%

Notes:

1. Subject to rounding on completion of the Acquisition.

The Company's constitution provides that the remuneration of non-executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration for non-executive Directors is \$350,000 per annum although may be varied by ordinary resolution of the Shareholders in general meeting.

The remuneration of any executive director that may be appointed to the Board will be fixed by the Board and may be paid by way of fixed salary or consultancy fee.

8.5 Agreements with Directors and related parties

The Company's policy in respect of related party arrangements is:

- a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

The agreements between the Company and related parties are summarised in Sections 9.4.

8.6 Corporate governance

(a) **ASX Corporate Governance Council Principles and Recommendations**

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted *The Corporate Governance Principles and Recommendations (4th Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and the Company's full Corporate Governance Plan is available in a dedicated corporate governance information section of the Company's website www.leafresources.com.au.

(b) **Board of Directors**

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (i) maintain and increase Shareholder value;
- (ii) ensure a prudential and ethical basis for the Company's conduct and activities consistent with the Company's stated values; and
- (iii) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (i) leading and setting the strategic direction, values and objectives of the Company;
- (ii) appointing the Chairman of the Board, Managing Director or Chief Executive Officer and approving the appointment of senior executives and the Company Secretary;
- (iii) overseeing the implementation of the Company's strategic objectives, values, code of conduct and performance generally;
- (iv) approving operating budgets, major capital expenditure and significant acquisitions and divestitures;

- (v) overseeing the integrity of the Company's accounting and corporate reporting systems, including any external audit (satisfying itself financial statements released to the market fairly and accurately reflect the Company's financial position and performance);
- (vi) establishing procedures for verifying the integrity of those periodic reports which are not audited or reviewed by an external auditor, to ensure that each periodic report is materially accurate, balanced and provides investors with appropriate information to make informed investment decisions;
- (vii) overseeing the Company's procedures and processes for making timely and balanced disclosure of all material information that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- (viii) reviewing, ratifying and monitoring the effectiveness of the Company's risk management framework, corporate governance policies and systems designed to ensure legal compliance; and
- (ix) approving the Company's remuneration framework.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

(c) **Composition of the Board**

Election of Board members is substantially the province of the Shareholders in general meeting, subject to the following:

- (i) membership of the Board of Directors will be reviewed regularly to ensure the mix of skills and expertise is appropriate; and
- (ii) the composition of the Board has been structured so as to provide the Company with an adequate mix of directors with industry knowledge, technical, commercial and financial skills together with integrity and judgment considered necessary to represent Shareholders and fulfil the business objectives and values of the Company as well as to deal with new and emerging business and governance issues.

On completion of the Acquisition, the Board will consist of five Directors (three non-executive Directors and two executive Directors) of whom Mr Terence Gray, Mr Ken Richards and Mr Douglas Rathbone are considered independent. The Board considers the current balance of skills and expertise to be appropriate given the Company for its currently planned level of activity.

To assist in evaluating the appropriateness of the Board's mix of qualifications, experience and expertise, the Board intends to maintain a Board Skills Matrix to ensure that the Board has the skills to discharge its obligations effectively and to add value.

The Board undertakes appropriate checks before appointing a person as a Director or putting forward to Shareholders a candidate for election as a Director or senior executive.

The Board ensures that Shareholders are provided with all material information in the Board's possession relevant to a decision on whether or not to elect or re-elect a Director.

The Company shall develop and implement a formal induction program for Directors, which is tailored to their existing skills, knowledge and experience. The purpose of this program is to allow new directors to participate fully and actively in Board decision-making at the earliest opportunity, and to enable new directors to gain an understanding of the Company's policies and procedures.

The Board maintains oversight and responsibility for the Company's continual monitoring of its diversity practices. The Company's Diversity Policy provides a framework for the Company to achieve enhanced recruitment practices whereby the best person for the job is employed, which requires the consideration of a broad and diverse pool of talent.

(d) **Identification and management of risk**

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

(e) **Ethical standards**

The Board is committed to the establishment and maintenance of appropriate ethical standards and to conducting all of the Company's business activities fairly, honestly with integrity, and in compliance with all applicable laws, rules and regulations. In particular, the Company and the Board are committed to preventing any form of bribery or corruption and to upholding all laws relevant to these issues as set out in the Company's Anti-Bribery and Anti-Corruption Policy. In addition, the Company encourages reporting of actual and suspected violations of the Company's Code of Conduct or other instances of illegal, unethical or improper conduct. The Company and the Board provide effective protection from victimisation or dismissal to those reporting such conduct as set out in its Whistleblower Protection Policy.

(f) **Independent professional advice**

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

(g) **Remuneration arrangements**

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

In accordance with the Constitution, the total maximum remuneration of non-executive Directors is initially set by the Board and subsequent variation is by ordinary resolution of Shareholders in general meeting in

accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$350,000 per annum.

In addition, a Director may be paid fees or other amounts for example, and subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having regard to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

(h) **Trading policy**

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the managing director). The policy generally provides that, the written acknowledgement of the Chair (or the Board in the case of the Chairman) must be obtained prior to trading.

(i) **External audit**

The Company in general meetings is responsible for the appointment of the external auditors of the Company. From time to time, the Board will review the scope, performance and fees of those external auditors.

(j) **Audit and risk committee**

The Company has a separate audit and risk committee that carries out the following duties:

- (i) monitoring and reviewing any matters of significance affecting financial reporting and compliance;
- (ii) verifying the integrity of those periodic reports which are not audited or reviewed by an external auditor;
- (iii) monitoring and reviewing the Company's internal audit and financial control system, risk management systems; and
- (iv) management of the Company's relationships with external auditors.

(k) **Diversity policy**

The Company is committed to workplace diversity. The Company is committed to inclusion at all levels of the organisation, regardless of gender, marital or family status, sexual orientation, gender identity, age, disabilities, ethnicity, religious beliefs, cultural background, socio-economic background, perspective and experience.

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

(l) **Departures from Recommendations**

Under the ASX Listing Rules the Company will be required to provide a statement in its annual financial report or on its website disclosing the extent to which it has followed the Recommendations during each reporting period. Where the Company has not followed a Recommendation, it must identify the Recommendation that has not been followed and give reasons for not following it.

The Company's compliance and departures from the Recommendations will also be announced prior to re-admission to the Official List of the ASX.

9. MATERIAL CONTRACTS

Set out below is a brief summary of the certain contracts to which the Company is a party and which the Directors have identified as material to the Company or are of such a nature that an investor may wish to have details of particulars of them when making an assessment of whether to apply for Shares.

To fully understand all rights and obligations of a material contract, it would be necessary to review it in full and these summaries should be read in this light.

9.1 Capital raising agreements

9.1.1 Lead Manager Mandate

The Company has signed a mandate letter to engage Sequoia Corporate Finance Pty Ltd ACN 602 219 072 (a Corporate Authorised Representative No 469074 of Sequoia Wealth Management Pty Limited, ACN 002 314 310, AFSL No. 472387) (**Lead Manager** or **Sequoia**) to act as lead manager of the Offer (**Lead Manager Mandate**).

The material terms and conditions of the Lead Manager Mandate are summarised below:

Scope of Work/Services	Sequoia will act as exclusive advisor in respect of managing the Offer and will provide equity capital markets advisory services to the Company following completion of the Offer for the term of the Lead Manager Mandate.
Term	The engagement pursuant to the Lead Manager Mandate will continue for a minimum term of 6 months following the date of reinstatement of the Company's securities to trading on the ASX following completion of the Offer (Minimum Term). The engagement will be automatically renewed at the end of the Minimum Term and each subsequent month thereafter, unless either party gives the other one months' notice that the engagement is not to continue after the end of the next month.
Exclusivity	The Company must not engage or request any other person to provide services of a similar type to those to be performed by Sequoia (other than Tegis pursuant to its role as the Company's corporate advisor in respect of the Acquisition) during the term of the Lead Manager Mandate. Refer to Section 9.1.2 for further information regarding Tegis' engagement by the Company.
Fees	Under the terms of this engagement the Company will pay the Lead Manager: <ul style="list-style-type: none">a management fee of 2% of the gross proceeds of the Offer (plus GST) in consideration for managing the Offer process;a selling fee of 4% of the gross proceeds of the Offer (plus GST) in consideration for raising capital under the Offer.
Retainer	Upon successful completion of the Offer (when the Offer has closed and the Shares have been reinstated to trading on the ASX), Sequoia will be retained by the Company for 6 months to provide equity capital markets advisory services covering the review of aftermarket share trading movements, results roadshows and general corporate access for brokers and investors to the Company on an exclusive basis.
Retainer Fee	The Company will pay Sequoia a monthly retainer in arrears of \$20,000 (plus GST) for the initial month after completion of the Offer and thereafter \$15,000 (plus GST) for each subsequent month (Retainer) for corporate advisory services. Sequoia may, in its sole discretion, elect for part of the Retainer to be paid in cash or Shares.

	The Company notes that if Sequoia elects for part of the Retainer to be paid in Shares, the Company will utilise its placement capacity under Listing Rule 7.1 to issue these Shares.
Expenses	The Company will reimburse Sequoia all reasonable travel and other out of pocket expenses (including, legal fees and third party disbursements) properly incurred in relation to the engagement of Sequoia under the Lead Manager Mandate, irrespective of completion of the Offer. Any expense incurred above \$500 will require prior approval of the Company.
Termination	<p>The Lead Manager Mandate may be terminated as follows:</p> <ul style="list-style-type: none"> • Either party may terminate the Lead Manager Mandate with immediate effect if the other party has materially failed to comply with its obligations under the Lead Manager Mandate and failed to rectify the non-compliance within one month of being given notice by the first mentioned party to do so; and • The parties may terminate the Lead Manager Mandate at any time by mutual agreement in writing. <p>On termination, Sequoia is entitled to receive all fees and expenses which have accrued or been incurred before the effective date of termination. In addition, unless the Lead Manager Mandate is terminated by the Company as a result of non-compliance by Sequoia, Sequoia will be entitled to be paid its fees and expenses if a transaction is entered into by the Company (or a related body corporate or a Shareholder) within 12 months of termination of the Lead Manager Mandate which is substantially the same as the Offer or any offer to Shareholders culminating in a sale of shares or assets without proceeding to completion of the Offer.</p>

The Lead Manager Mandate otherwise contains provisions considered standard for an agreement of its nature (including representations and warranties and confidentiality provisions).

9.1.2 Corporate Advisory Mandate

The Company has entered into the Corporate Advisory Mandate with Tegis, the material terms and conditions of which are summarised below:

Term	Unless the Corporate Advisory Mandate is otherwise terminated in accordance with its terms, the term of Tegis' engagement will conclude upon completion of the Acquisition.
Corporate Advisory Fee	Tegis will be entitled to a monthly retainer of \$15,000 per month from 1 October 2020 until expiry or termination of the Corporate Advisory Mandate.
M&A Transaction Fee	Upon the completion of the Acquisition, Tegis will, subject to Shareholder approval, receive \$200,000 worth of the Company shares at the deemed issue price of \$0.02 per the Company Share, being 10,000,000.
Termination	The Corporate Advisory Mandate will terminate on completion of the Acquisition.

The Corporate Advisory Mandate otherwise contains provisions considered standard for an agreement of its nature (including representations and warranties and confidentiality provisions).

9.2 Acquisition Agreements

9.2.1 Founder Shareholder SSA

The Company has entered into a binding share sale agreement with Ramon Mountfort and Shirley Mountfort ATF Mounties1 Family Trust (**Founder Shareholder**),

an entity controlled by Mr Ray Mountfort (a Proposed Director), under which the Company agreed to acquire 100% of the EQ Shares held by the Founder Shareholder (comprising 58.07% of the issued share capital of EQ) (**Founder Shareholder SSA**).

The material terms and conditions of which are summarised below:

Conditions Precedent	<p>Completion of the acquisition of the EQ Shares held by the Founder Shareholder is subject to and conditional upon the satisfaction or waiver of the following outstanding conditions precedent:</p> <ul style="list-style-type: none"> the Company entering into service agreements with Messrs Ramon Mountfort (in respect of his appointment as Managing Director) and Grant Yeatman (in respect of his appointment as Chief Operating Officer) (or their nominees) on terms to be agreed. It has been agreed that the Company will pay Mr Mountfort and Mr Yeatman annual salaries of \$300,000 and \$200,000 respectively (not including superannuation); each shareholder of EQ executing a binding share sale and purchase agreement with the Company in relation to the sale of all of the EQ Shares held by them; the Company and each of the relevant security holders of EQ executing cancellation deeds in relation to the cancellation of the options and performance rights in the capital of EQ (EQ Options and EQ Performance Rights respectively) held by those EQ securityholders in consideration for the issue of options and performance rights in the capital of the Company (Options and Performance Rights respectively); the Company obtaining all required Shareholder and regulatory approvals necessary for implementation of the Acquisition (including, for the issue of the Considerations Securities and adoption of employee incentive scheme under the ASX Listing Rules and Corporations Act); the Company satisfying the requirements of ASX Listing Rule 11.1.3 and receiving a letter from ASX confirming that ASX will grant conditional re-quotation of the Company's Shares to trading on the official list of ASX, on terms acceptable to the Company; EQ obtaining all necessary third party approvals required in relation to change of control provisions; EQ having net debt of less than \$1,500,000; the Company converting all outstanding amounts owing to Directors as at 30 June 2020 to Shares at a deemed issue price of \$0.02 per Share (Debt Conversion); the Company having net debt of less than \$1,100,000; none of the warranties that were given by the Company and EQ under the Founder Shareholder SSA being breached prior to the completion of the Acquisition; and no event, occurrence or matter, which individually or when aggregated with all such events, occurrences or matters of a similar kind, taking place at any time prior to the completion of the Acquisition which has a material adverse effect.
Consideration	Subject to Shareholder approval, the Company will issue 590,700,000 Shares to the Founder Shareholder in consideration for the acquisition of the EQ Sharers held by the Founder Shareholder
Restraint	Mr Ramon Mountfort will be subject to a restraint for up to three (3) years after the termination of his employment/engagement with the Company or a Subsidiary (as applicable).
Board Representation	Upon completion of the Acquisition, the Company will procure the resignation of Mr Alex Baker (who will continue in a consultancy capacity), Mr William Baum (who will continue in a consultancy capacity) and Mr

Matthew Morgan, Mr Terence Gray, Mr Ramon Mountfort and Mr Grant Yeatman will be appointed as Directors of the Company upon completion of the Acquisition.

The Founder Shareholder SSA otherwise contains provisions considered standard for an agreement of its nature (including representations and warranties and confidentiality provisions).

9.2.2 Minority Shareholder SSA's

The Company will enter into share sale and purchase agreements with each of the Minority Shareholders (**Minority Shareholder SSA's**) on the following terms and conditions:

Conditions precedent	<p>Acquisition of the EQ Shares and cancellation of the EQ Options and EQ Performance Rights held by the Minority Shareholders (as applicable) is subject to:</p> <ul style="list-style-type: none"> the Company having obtained all required Shareholder and regulatory approvals as are required under the ASX Listing Rules and the Corporations Act; each of the Vendors having executed a binding share sale and purchase agreement with the Purchaser in relation to the sale of all of the fully paid ordinary shares in the capital of EQ held by the Vendors to the Company; and the Company completing the Consolidation.
Consideration Shares	<p>In consideration for the acquisition of EQ Shares from the Minority Shareholders, the Company will issue 426,558,033 Shares at a deemed issue price of \$0.02 per Share.</p>
Consideration Options	<p>In consideration for the cancellation of the options to acquire EQ Shares held by entities controlled by Mr Ken Richards (a Director of the Company and a Vendor), the Company will 34,455,861 Options (Consideration Options), comprising:</p> <ul style="list-style-type: none"> 9,705,861 Options (on a post-Consolidation basis) exercisable at \$0.03 each, on or before 31 October 2021; and 24,750,000 Options (on a post-Consolidation basis) exercisable at \$0.023 each, on or before 1 March 2025. <p>The Consideration Options are proposed to be issued on the terms set out in Section 10.3</p>
Consideration Performance Rights	<p>In consideration for the cancellation of the EQ Performance Rights held by Messrs Terence Gray and Grant Yeatman (being Proposed Directors of the Company and Vendors), the Company will issue an aggregate of 33,000,000 performance rights in the capital of the Company (Consideration Performance Rights).</p> <p>The Consideration Performance Rights are subject to various milestones that are connected to the Company's EBITDA.</p> <p>For further information relating to the Consideration Performance Rights and their milestones, refer to Section 10.4.</p>

The Minority Shareholder SSA's will otherwise contain provisions considered standard for an agreement of its nature (including representations and warranties and confidentiality provisions).

9.2.3 Loan Agreement

In conjunction with the Acquisition, EQ has made a loan in the amount of \$600,000 available to the Company (**Loan**) on the following key terms and conditions:

Term:	12 months from the date of advance of the Loan (Maturity Date).
Use of funds	The funds advanced to the Company under the Loan must only be used for the repayment of existing debt and general working capital.
Interest	Interest will accrue a rate of 10% per annum and is repayable in cash on the Maturity Date.
Repayment	The Loan and all accrued but unpaid Interest is repayable on the Maturity Date. The Company may elect to make early repayment of the Loan and accrued but unpaid Interest in full and without penalty at any time.
Security	The Loan is secured over all of the Company's present and after-acquired property (it includes anything in respect of which the Company has at any time a sufficient right, interest or power to grant a security).
Negative pledge	<p>The Company will covenant that it will not, without the prior consent of EQ:</p> <ul style="list-style-type: none"> • deal with, sell or otherwise dispose of or part with possession of; • create, permit, suffer to exist, or agree to, any interest or encumbrance (other than an encumbrance in favour of EQ) over; or • attempt to do anything set out above, <p>in respect of any of its assets except, in the case of the disposal or parting of possession of its assets, in the ordinary course of its business or as otherwise agreed.</p>

The Loan Agreement otherwise contains provisions considered standard for an agreement of its nature (including representations and warranties and confidentiality provisions).

The Company confirms that there are no other arrangements or transactions between the Company and EQ or its related parties. The Company also confirms that EQ is not a related party of the Company or any of the Directors of the Company, with the exception of Mr Ken Richards (a common director of the Company and EQ).

9.3 Operational Agreements

9.3.1 HQ Plantations Supply Agreement

EQ has entered into an agreement with HQPlantations Pty Ltd (**HQ Plantations**) under which HQ Plantations agrees to supply and EQ agrees to buy pine (**HQ Supply Agreement**). The material terms of the Supply Agreement are set out below:

Term	The HQ Supply Agreement commences on 1 July 2018 and runs until 30 June 2023.
Log Specifications	The pine logs to be delivered to EQ will be within the specifications in the HQ Supply Agreement (including size and block resin).
Volume	EQ has agreed to purchase up to 15,000 tonnes per annum of pine logs from HQ Plantations.
Price of Logs	EQ agrees to the fixed prices per tonne of pine logs agreed to in the HQ Supply Agreement based on a sliding pricing scale determined by the travel distance required for the logs to be transported to EQ.
Payment	All payments by EQ to HQ Plantations are to be made by the last day of the month following HQ Plantations issuing an invoice to EQ.

Failure to Purchase Full Volume	The HQ Supply Agreement contains a provision that EQ must make payments to HQ Plantations in pre-determined percentages of the full supply volume in the event that EQ does not require the full 15,000 tonnes per annum of pine logs from HQ Plantations.
Cover of Account	EQ must give to HQ Plantations cash in the form of a cover of account equal to the percentage outlined in the HQ Supply Agreement. This is to be determined based on the anticipated value of pine logs to be supplied to EQ. Following the end of the HQ Supply Agreement the cover of account funds will be returned to EQ.
Insurance	EQ must take out and maintain public liability insurance for any employee or contractor involved with transport and unloading of pine logs by EQ.

The HQ Supply Agreement otherwise contains provisions considered standard for an agreement of its nature (including representations and warranties and confidentiality provisions).

9.3.2 Yasuhara Letter of Intent

On 30 January 2019 EQ executed a letter of intent with the Japanese company Yasuhara Chemical Co Ltd (**Yasuhara**), under which Yasuhara agreed to purchase and EQ agrees to exclusively supply wood turpentine (**Yasuhara Letter of Intent**). The material terms of the Yasuhara Letter of Intent are set out below:

Term	The Yasuhara Letter of Intent runs for 5 years.
Option	The Yasuhara Letter of Intent contains the right to renewal after 5 years.
Volume	Yasuhara agrees to purchase up to 2,200MT per annum of wood turpentine from EQ.
Shipment	Shipment is to occur using ISO tanks and is to occur at regular periods as agreed by Yasuhara and EQ.
Pricing	The purchase of wood turpentine by Yasuhara is to be at reasonable market rates (determined quarterly) reflecting the specification of the product.

The Company and Yasuhara intend to enter into a more formal agreement going forward.

9.3.3 Kuhlman Supply Agreement

EQ has entered into an agreement with Kuhlman's Bulk Haulage Pty Ltd (ACN 613 839 508) (**Kuhlman**) under which EQ agreed to supply sawdust to Kuhlman (**Kuhlman Supply Agreement**).

The material terms and conditions of the Kuhlman Supply Agreement are summarised below:

Term	The Kuhlman Supply Agreement commenced on 15 July 2019 and its original term will conclude on 30 June 2024 (Original Term).
Option	The Kuhlman Supply Agreement contains the right to renewal for a further 5 years at the end of the Original Term.

Annual Supply Quantity	EQ is to supply to Kuhlman all wood that meets the required specifications up to 400 tonne per week. Kuhlman have first option to purchase any further excess wood that EQ are not utilising.
Price and Payment	\$12.00 (excluding GST) per meter to be adjusted for annual CPI. Payments to EQ are to be within a week following the sawdust being received by Kuhlman.
Termination	<p>Either party may terminate the Kuhlman Supply Agreement (Non-Defaulting Party) in the event that the other party:</p> <ul style="list-style-type: none"> • becomes insolvent; • fails to make payments as required under Kuhlman Supply Agreement; • has a change of control without obtaining prior consent of the Non-Defaulting Party; or • fails to maintain insurance. <p>The Non-Defaulting Party must give the other party 30 days' notice to remedy the breach.</p> <p>If the other party fails to remedy the breach after this time, the Non-Defaulting Party may terminate the Kuhlman Supply Agreement by way of 3 months' written notice.</p>
Assignment	The Kuhlman Supply Agreement may be assigned by agreement with of the other party which may not be unreasonably withheld.

9.3.4 Lease Agreement

On 4 October 2017 EQ entered into a 20-year lease agreement (**Lease**) for Lot 2 on RP 86505, Lot 1 on RP 103658 and Lot 1 on RP 83121 (**Property**).

The material terms of the Lease are set out below:

Term	The Lease runs for 20 years being the period from 1 October 2017 to 30 September 2037.
Option	The Lease contains one 10-year option to extend the Lease at the end of the original period ending on 30 September 2037 through to 30 September 2047.
Rent	The rent due on the Lease is \$100,000 (ex GST) per year to be paid quarterly in arrears.
Rent Review	Rent is to be increased annually on 1 October in line with CPI. During the term of the Lease there will be no other rent reviews.
Permitted Use	During the term of the Lease the Property may be used for farming, factory, manufacturing and trading.
Utilities Use	Under the Lease, EQ has been allocated the use of 40Mgl of water from WA 5528 on CROWN PLAN AP6975. EQ must pay for all electricity and pumping on the Property.
Rates	EQ is required to pay 100% of the rates of the Property.
Bank Guarantee	Ramon Mountford as guarantor of the Lease is to keep a bank guarantee equal to 2 months of rent at all times unless EQ has made rental payments at least 3 months in advance.
Insurance	Under the Lease, EQ must maintain motor vehicle insurance, public liability insurance, workers & compensation insurance and building insurance at the requisite levels required by the Lease.

The Lease otherwise contains provisions considered standard for an agreement of its nature (including representations and warranties and confidentiality provisions).

9.3.5 Hire Purchase Agreements

EQ has entered into several hire purchase agreements to lease various assets for the purposes of carrying out its business. Each of these agreements are on standard industry terms and contain provisions considered standard for agreements of its nature.

9.4 Agreements with Directors and management

9.4.1 Executive Services Agreement – Ray Mountfort

The Company has entered into an executive services agreement with Mr Ray Mountfort, pursuant to which Mr Mountfort will be appointed as the Company's Managing Director on the following material terms:

Remuneration	Mr Mountfort will receive a salary of \$300,000, which is exclusive of directors' fees, superannuation and a motor vehicle.
Incentive Plan	Mr Mountfort is eligible for a short-term incentive in the form of an annual bonus up to 100% of his salary. This bonus will be awarded annually based on performance against board approved performance criteria.
Term	Mr Mountfort's term as Managing Director will commence on the later of 1 December 2020 and the completion of the Acquisition and will continue until validly terminated.
Termination by Company	The Company must either give Mr Mountfort six (6) months' written notice or, otherwise may terminate Mr Mountfort's employment with immediate effect by paying him the equivalent of his salary over a six (6) month period.
Termination by Mr Mountfort	Mr Mountfort may terminate his employment by providing Six (6) months written notice to the Company.

This agreement otherwise contains provisions considered standard for an agreement of its nature (including representations and warranties and confidentiality provisions).

9.4.2 Executive Services Agreement - Grant Yeatman

The Company has entered into an executive services agreement with Mr Grant Yeatman, pursuant to which Mr Yeatman will be appointed an Executive Director on the following material terms:

Remuneration	Mr Yeatman will receive a salary of \$200,000, which is exclusive of directors' fees, superannuation and a motor vehicle.
Incentive Plan	Mr Yeatman is eligible for a short-term incentive in the form of an annual bonus up to 50% of his salary. This bonus will be awarded annually based on performance against board approved performance criteria. Mr Yeatman is eligible for a long-term incentive in the form of 16,500,000 Performance Rights (refer to Section 4.2.2 for further details).
Term	Mr Yeatman's term as Chief Operating Officer will commence on the later of 1 December 2020 and the completion of the Acquisition and will continue until validly terminated.

Termination by Company	The Company must either give Mr Yeatman six (6) months' written notice or, otherwise may terminate Mr Mountfort's employment with immediate effect by paying him the equivalent of his salary over a six (6) month period.
Termination by Mr Yeatman	Mr Yeatman may terminate his employment by providing six months' written notice to the Company.

This agreement otherwise contains provisions considered standard for an agreement of its nature (including representations and warranties and confidentiality provisions).

9.4.3 Executive Services Agreement - Drew Speedy

The Company has entered into an executive services agreement with Mr Drew Speedy, pursuant to which Mr Speedy will be appointed as the Company's Chief Financial Officer on the following material terms:

Remuneration	Mr Speedy will receive a salary of \$96,000, which is exclusive of superannuation. Mr Speedy is to be paid \$125.00 per hour for additional services beyond his Chief Financial Officer duties.
Term	Mr Speedy's term as Chief Financial Officer will commence on completion of the Acquisition and will continue until validly terminated.
Termination by Company	The Company may terminate his employment by providing three months' written notice to Mr Speedy
Termination by Mr Speedy	Mr Speedy may terminate his employment by providing three months' written notice to the Company.

This agreement otherwise contains provisions considered standard for an agreement of its nature (including representations and warranties and confidentiality provisions).

9.4.4 Non-executive Director appointments

Mr Terence Gray and Mr Doug Rathbone have entered into appointment letters with the Company to act in the capacity as non-executive Directors of the Company. Mr Rathbone is currently the Company's Chairman and Mr Gray's term as a Director shall commence on completion of the Acquisition.

Mr Ken Richards has entered into an appointment letter with the Company to act in the capacity as the Company's non-executive Chairman. Mr Richards is currently a Director and his appointment as the Company's non-executive Chairman shall commence on completion of the Acquisition.

These Directors will receive the remuneration set out in Section 8.4.

9.4.5 Deeds of indemnity, insurance and access

The Company will enter into a deed of indemnity, insurance and access with each of its Directors. Under these deeds, the Company will agree to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company will also be required to maintain insurance policies for the benefit of the relevant officer and allow the officers to inspect board papers in certain circumstances.

10. ADDITIONAL INFORMATION

10.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

10.2 Rights attaching to Shares

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited). Amounts paid in advance of a call are ignored when calculation the proportion.

(c) Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the

amount paid or credited as paid is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they believe to be justified subject to the requirements of the Corporations Act. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement on such terms and conditions as the Directors think fit, (a) a dividend reinvestment plan which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares and (b) a dividend election plan permitting holders of Shares to the extent that the Shares are fully paid, to have the option to elect to forego the right to share in any dividends (whether interim or otherwise) payable in respect of such Shares and to receive instead an issue of Shares credited as fully paid up to the extent as determined by the Directors.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) **Variation of rights**

Pursuant to section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) **Alteration of Constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

10.3 **Consideration Options**

Set out below are the terms and conditions of the Consideration Options.

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (i) the amount payable upon exercise of each Option will be:

(i) \$0.03 per Class A Consideration Options; and

(ii) \$0.023 per Class B Consideration Option,

(each being an **Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (EST) on:

(i) for Class A Consideration Options, 31 October 2021; and

(ii) for Class B Consideration Options, 1 March 2025,

(each being an **Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within five Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

10.4 **Consideration Performance Rights**

Set out below are the terms and conditions of the Performance Rights:

(a) **Milestones**

Subject to paragraph (q), the Performance Rights will vest as follows:

- (i) **Class A Performance Rights:** 11,000,000 Performance Rights (on a post-Consolidation basis) will vest on the later of the following milestones being satisfied:
 - (A) the Company Group achieving \$1,000,000 audited EBITDA per month for any consecutive three (3) month period, on or before 3 August 2023 (the **Class A Performance Milestone**); and
 - (B) the holder remaining as a Director and/or Executive (or the equivalent) of the Company Group until 1 July 2023 (the **Class A Retention Milestone**).
- (ii) **Class B Performance Rights:** 11,000,000 Performance Rights (on a post-Consolidation basis) will vest on the later of the following milestones being satisfied:
 - (A) the Company achieving \$2,000,000 audited EBITDA per month for any consecutive three (3) month period, on or before 3 August 2023 (the **Class B Performance Milestone**); and
 - (B) the holder remaining as a Director and/or Executive (or the equivalent) of the Company Group until 1 July 2023 (the **Class B Retention Milestone**).
- (iii) **Class C Performance Rights:** 11,000,000 Performance Rights (on a post-Consolidation basis) will vest on the later of the following milestones being satisfied:

- (A) the Company achieving \$3,000,000 audited EBITDA per month for any consecutive three (3) month period, on or before 3 August 2023 (the **Class C Performance Milestone**); and
- (B) the holder remaining as a Director and/or Executive (or the equivalent) of the Company Group until 1 July 2023 (the **Class C Retention Milestone**).

The Class A Performance Milestone, Class B Performance Milestone and Class C Performance Milestone are each referred to as a **Performance Milestone**.

The Class A Retention Milestone, Class B Retention Milestone and Class C Retention Milestone are each referred to as a **Retention Milestone**.

(b) **Notification to holder**

The Company shall notify the holder in writing when the Milestone has been satisfied.

(c) **Conversion**

Subject to paragraph (m), upon vesting, each Performance Right will, at the election of the holder, convert into one Share.

(d) **Share ranking**

All Shares issued upon the vesting of Performance Rights will upon issue rank pari passu in all respects with other Shares.

(e) **Application to ASX**

The Performance Rights will not be quoted on ASX. The Company must apply for the official quotation of a Share issued on conversion of a Performance Right on ASX within the time period required by the ASX Listing Rules.

(f) **Transfer of Performance Rights**

The Performance Rights are not transferable.

(g) **Lapse of a Performance Right**

If the Performance Milestone and or Retention Milestone attached to the relevant Performance Right has not been satisfied within the relevant time period set out in paragraph (a), the relevant Performance Rights will automatically lapse.

(h) **Participation in new issues**

A Performance Right does not entitle a holder (in their capacity as a holder of a Performance Right) to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.

(i) **Reorganisation of capital**

If at any time the issued capital of the Company is reconstructed, all rights of a holder will be changed in a manner consistent with the applicable ASX Listing Rules and the Corporations Act at the time of reorganisation.

(j) **Adjustment for bonus issue**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the number of Shares or other securities which must be issued on the conversion of a Performance Right will be increased by the number of Shares or other securities which the holder would have received if the holder had converted the Performance Right before the record date for the bonus issue.

(k) **Dividend and Voting Rights**

The Performance Rights do not confer on the holder an entitlement to vote (except as otherwise required by law) or receive dividends.

(l) **Change in Control**

Subject to paragraph (m), upon:

- (i) a takeover bid under Chapter 6 of the Corporations Act having been made in respect of the Company and:
 - (A) having received acceptances for not less than 50.1% of the Company's Shares on issue; and
 - (B) having been declared unconditional by the bidder.
- (ii) a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of the Company or its amalgamation with any other company or companies,

then, to the extent Performance Rights have not converted into Shares due to satisfaction of the Milestone, Performance Rights will accelerate vesting conditions and will automatically convert into Shares on a one-for-one basis.

(m) **Deferral of conversion if resulting in a prohibited acquisition of Shares**

If the conversion of a Performance Right under paragraph (c) or (l) would result in any person being in contravention of section 606(1) of the *Corporations Act 2001* (Cth) (**General Prohibition**) then the conversion of that Performance Right shall be deferred until such later time or times that the conversion would not result in a contravention of the General Prohibition. In assessing whether a conversion of a Performance Right would result in a contravention of the General Prohibition:

- (i) holders may give written notification to the Company if they consider that the conversion of a Performance Right may result in the contravention of the General Prohibition. The absence of such written notification from the holder will entitle the Company to assume the conversion of a Performance Right will not result in

any person being in contravention of the General Prohibition;
and

- (ii) the Company may (but is not obliged to) by written notice to a holder request a holder to provide the written notice referred to in paragraph (m)(i) within seven days if the Company considers that the conversion of a Performance Right may result in a contravention of the General Prohibition. The absence of such written notification from the holder will entitle the Company to assume the conversion of a Performance Right will not result in any person being in contravention of the General Prohibition.

(n) **No rights to return of capital**

A Performance Right does not entitle the holder to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.

(o) **Rights on winding up**

A Performance Right does not entitle the holder to participate in the surplus profits or assets of the Company upon winding up.

(p) **No other rights**

A Performance Right gives the holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

(q) **Ceasing to be a Director or Executive of the Company Group**

Subject to the Performance Rights having not lapsed in accordance with paragraph (g) or having been converted into Shares in accordance with paragraph (c), unless otherwise agreed between the holder and the Company, if the holder's appointment (or engagement) with the Company Group is terminated:

- (i) by the Company:
 - (A) without reason, in accordance with the relevant agreement under which the holder is appointed or engaged by the Company Group (the **Relevant Agreement**) and otherwise in good faith:
 - (I) all Performance Rights for which the Performance Milestone has not been satisfied will be forfeited by the holder and cancelled by the Company; and
 - (II) all Performance Rights for which the Performance Milestone has been satisfied will immediately vest;
 - (B) with reason (except where the termination relates to death, incapacitation, illness or injury (of any kind) which prevents the holder from performing his duties) or summarily without notice, in accordance with the Relevant Agreement:

- (I) on or before 1 July 2023, all Performance Rights will be forfeited by the holder and cancelled by the Company (regardless of satisfaction of the Performance Milestone); or
 - (II) after 1 July 2023:
 - a. all Performance Rights for which the Performance Milestone has not been satisfied will be forfeited by the holder and cancelled by the Company; and
 - b. all Performance Rights for which the Performance Milestone has been satisfied will immediately vest; or
- (C) with reason, where the termination relates to death, incapacitation, illness, or injury (of any kind) which prevents the holder from performing his duties, in accordance with the Relevant Agreement:
 - (I) all Performance Rights for which the Performance Milestone has not been satisfied will be forfeited by the holder and cancelled by the Company; and
 - (II) all Performance Rights for which the Performance Milestone has been satisfied will immediately vest (and may be converted into Shares by the holder or his nominee); or
- (ii) by the holder:
 - (A) without reason, in accordance with the Relevant Agreement:
 - (I) on or before 1 July 2023, all Performance Rights will be forfeited by the holder and cancelled by the Company (regardless of satisfaction of the Performance Milestone); or
 - (II) after 1 July 2023:
 - c. all Performance Rights for which the Performance Milestone has not been satisfied will be forfeited by the holder and cancelled by the Company; and
 - d. all Performance Rights for which the Performance Milestone has been satisfied will immediately vest; or
 - (B) with reason, in accordance with the Relevant Agreement:
 - (I) all Performance Rights for which the Performance Milestone has not been satisfied

will be forfeited by the holder and cancelled by the Company; and

- (II) all Performance Rights for which the Performance Milestone has been satisfied will immediately vest.

10.5 Performance Rights and Options Plan

The material terms and conditions of the Performance Rights and Options Plan (**Plan**) are as follows:

(a) Eligibility

Participants in the Plan may be:

- (i) a Director (whether executive or non-executive) of the Company and any Associated Body Corporate of the Company (each, a **Group Company**);
- (ii) a full or part time employee of any Group Company;
- (iii) a casual employee or contractor of a Group Company to the extent permitted by ASIC Class Order 14/1000 as amended or replaced (**Class Order**); or
- (iv) a prospective participant, being a person to whom the offer is made but who can only accept the offer if an arrangement has been entered into that will result in the person becoming a participant under subparagraphs (i), (ii), or (iii) above,

who is declared by the Board to be eligible to receive grants of Options or Performance Rights (**Awards**) under the Plan (**Eligible Participant**).

(b) Offer

The Board may, from time to time, in its absolute discretion, make a written offer to any Eligible Participant to apply for Awards, upon the terms set out in the Plan and upon such additional terms and conditions as the Board determines.

(c) Plan limit

The Company must have reasonable grounds to believe, when making an offer, that the number of Shares to be received on exercise of Awards offered under an offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on the Class Order at any time during the previous 3 year period under an employee incentive scheme covered by the Class Order or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the offer.

(d) Issue price

Performance Rights granted under the Plan will be issued for nil cash consideration. Unless the Options are quoted on the ASX, Options issued

under the Plan will be issued for no more than nominal cash consideration.

(e) **Exercise price**

The Board may determine the Option exercise price (if any) for an Option offered under that Offer in its absolute discretion. To the extent the Listing Rules specify or require a minimum price, the Option exercise price must not be less than any minimum price specified in the Listing Rules.

(f) **Vesting conditions**

An Award may be made subject to vesting conditions as determined by the Board in its discretion and as specified in the offer for the Awards (**Vesting Conditions**).

(g) **Vesting**

The Board may in its absolute discretion (except in respect of a change of control occurring where Vesting Conditions are deemed to be automatically waived) by written notice to a Participant (being an Eligible Participant to whom Awards have been granted under the Plan or their nominee where the Awards have been granted to the nominee of the Eligible Participant (**Relevant Person**)), resolve to waive any of the Vesting Conditions applying to Awards due to:

- (i) special circumstances arising in relation to a Relevant Person in respect of those Awards, being:
 - (A) a Relevant Person ceasing to be an Eligible Participant due to:
 - (I) death or total or permanent disability of a Relevant Person; or
 - (II) retirement or redundancy of a Relevant Person;
 - (B) a Relevant Person suffering severe financial hardship;
 - (C) any other circumstance stated to constitute "special circumstances" in the terms of the relevant offer made to and accepted by the Participant; or
 - (D) any other circumstances determined by the Board at any time (whether before or after the offer) and notified to the relevant Participant which circumstances may relate to the Participant, a class of Participant, including the Participant or particular circumstances or class of circumstances applying to the Participant,

(**Special Circumstances**), or
- (ii) a change of control occurring; or
- (iii) the Company passing a resolution for voluntary winding up, or an order is made for the compulsory winding up of the Company.

(h) **Cashless Exercise Facility**

In lieu of paying the aggregate Option exercise price to purchase Shares, an Eligible Participant may elect to receive, without payment of cash or other consideration, upon surrender of the applicable portion of exercisable Options to the Company, a number of Shares determined in accordance with the following formula (**Cashless Exercise Facility**):

$$A = \frac{B (C - D)}{C}$$

where:

A = the number of Shares (rounded down to the nearest whole number) to be issued to the Optionholder;

B = the number of Shares otherwise issuable upon the exercise of the Options or portion of the Options being exercised;

C = the Market Value of one Share determined as of the date of delivery to the company secretary; and

D = the Option exercise price.

For the purposes of this Section, **Market Value** means, at any given date, the volume weighted average price per Share traded on the ASX over the five (5) trading days immediately preceding that given date, unless otherwise specified in an Offer.

(i) **Lapse of an Award**

An Award will lapse upon the earlier to occur of:

- (i) an unauthorised dealing, or hedging of, the Award occurring;
- (ii) a Vesting Condition in relation to the Award is not satisfied by its due date, or becomes incapable of satisfaction, as determined by the Board in its absolute discretion, unless the Board exercises its discretion to vest the Award in the circumstances set out in paragraph (g) or the Board resolves, in its absolute discretion, to allow the unvested Awards to remain unvested after the Relevant Person ceases to be an Eligible Participant;
- (iii) in respect of unvested Awards only, a Relevant Person ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Award in the circumstances set out in paragraph (g) or the Board resolves, in its absolute discretion, to allow the unvested Awards to remain unvested after the Relevant Person ceases to be an Eligible Participant;
- (iv) in respect of vested Awards only, a Relevant Person ceases to be an Eligible Participant and the Award granted in respect of that Relevant Person is not exercised within a one (1) month period (or such later date as the Board determines) of the date that person ceases to be an Eligible Participant;
- (v) the Board deems that an Award lapses due to fraud, dishonesty or other improper behaviour of the Eligible Participant;

(vi) the Company undergoes a change of control or a winding up resolution or order is made and the Board does not exercise its discretion to vest the Award; and

(vii) the expiry date of the Award.

(j) **Not transferrable**

Subject to the Listing Rules, Awards are only transferrable in Special Circumstances with the prior written consent of the Board (which may be withheld in its absolute discretion) or by force of law upon death, to the Participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.

(k) **Shares**

Shares resulting from the exercise of the Awards shall, subject to any Sale Restrictions (refer paragraph (l)) from the date of issue, rank on equal terms with all other Shares on issue.

(l) **Sale restrictions**

The Board may, in its discretion, determine at any time up until exercise of Awards, that a restriction period will apply to some or all of the Shares issued to a Participant on exercise of those Awards (**Restriction Period**). In addition, the Board may, in its sole discretion, having regard to the circumstances at the time, waive any such Restriction Period.

(m) **Quotation of Shares**

If Shares of the same class as those issued under the Plan are quoted on the ASX, the Company will, subject to the Listing Rules, apply to the ASX for those Shares to be quoted on ASX within 10 business days of the later of the date the Shares are issued and the date any Restriction Period applying to the Shares ends.

(n) **No participation rights**

There are no participation rights or entitlements inherent in the Awards and Participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Awards without exercising the Award.

(o) **Change in exercise price of number of underlying securities**

An Award does not confer the right to a change in exercise price or in the number of underlying Shares over which the Award can be exercised.

(p) **Reorganisation**

If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a Participant are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reorganisation.

(q) **Amendments**

Subject to express restrictions set out in the Plan and complying with the Corporations Act, Listing Rules and any other applicable law, the Board may, at any time, by resolution amend or add to all or any of the provisions of the Plan, or the terms or conditions of any Award granted under the Plan including giving any amendment retrospective effect.

10.6 ASX Waivers

The Company has received the following confirmation and waivers from ASX:

(a) **ASX Listing Rule 2.1 (Condition 2) and ASX Listing Rule 1.1 (Condition 12)**

ASX Listing Rule 1.1 (Condition 12) provides that if an entity has options on issue the exercise price for each underlying security must be at least 20 cents in cash. ASX Listing Rules 2.1 (Condition 2) provides that the issue price or sale price of all the securities for which an entity seeks quotation (except options) must be at least 20 cents in cash.

The Company has obtained a conditional waiver from the requirements of ASX Listing Rules 1.1 (Condition 12) and 2.1 (Condition 2) to allow the Company to have on issue Options with an exercise price which is less than 20 cents, to issue the Consideration Options with an exercise price which is less than 20 cents and to offer Shares under the Offer with an issue price which is less than 20 cents.

(b) **ASX Listing Rule 10.13.5**

ASX Listing Rule 10.11 requires a listed company to obtain Shareholder approval by ordinary resolution prior to the issue of equity securities, or agreement to issue equity securities, to a related party of the Company.

ASX Listing Rule 10.13 sets out the requirements for Shareholder approval under ASX Listing Rule 10.11. In particular, ASX Listing Rule 10.13.5 provides that the notice of meeting must (inter alia) state the date by which the entity will issue the securities and that the securities must be issued no later than 1 month after the date of the meeting or such later date as may be permitted by any ASX waiver or modification of the ASX Listing Rules.

The Company has obtained a conditional waiver from the requirements of ASX Listing Rule 10.13.5 to allow the Company to issue, subject to Shareholder approval:

- (i) Consideration Securities to the Proposed Directors' entities;
- (ii) Advisor Shares; and
- (iii) Debt Conversion Shares,

no later than 3 months after the date of the General Meeting.

10.7 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.

10.8 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offer.

William Buck Audit (Vic) Pty Ltd has acted as Investigating Accountant and has prepared the Independent Limited Assurance Report which is included in Annexure A. The Company estimates it will pay William Buck Audit (Vic) Pty Ltd a total of \$22,500 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, William Buck Audit (Vic) Pty Ltd has not received fees from the Company for any other services.

Spruson & Ferguson has acted as Patent and Trade Mark Attorneys and has prepared the Intellectual Property Report which is included in Annexure B. The Company estimates it will pay Spruson & Ferguson a total of \$7,500 (GST inclusive) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Spruson & Ferguson has received \$237,464.09 (GST inclusive) in fees from the Company for services.

Sequoia Corporate Finance Pty Ltd will receive those fees set out in Section 4.6 following the successful completion of the Offer for its services as Lead Manager to the Offer. Sequoia Corporate Finance Pty Ltd will be responsible for paying all capital raising fees that Sequoia Corporate Finance Pty Ltd and the Company agree with any other financial service licensees. Further details in respect to the Lead Manager Mandate with Sequoia Corporate Finance Pty Ltd are summarised in Section 9.1.1. During the 24 months preceding lodgement of this Prospectus with the ASIC, Sequoia Corporate Finance Pty Ltd has not received fees from the Company for any other services.

Tegis Pty Ltd will receive those fees set out in Section 9.1.2 following the successful completion of the Acquisition for providing corporate, M&A and general corporate advisory support in respect of the Acquisition. Further details in respect to the Corporate Advisory Mandate with Tegis Pty Ltd are summarised in Section 9.1.2. During the 24 months preceding lodgement of this Prospectus with the ASIC, Tegis Pty Ltd has not received fees from the Company for any other services.

Steinepreis Paganin has acted as the Australian legal advisers to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$100,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received \$25,130.01 (GST inclusive) in fees from the Company for services.

10.9 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offer or of the Securities), the Directors, any persons named in the Prospectus with their consent as proposed Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section;
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section; and
- (c) has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

William Buck Audit (Vic) Pty Ltd has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Independent Limited Assurance Report in Annexure A in the form and context in which the information and report is included.

Grant Thornton Audit Pty Ltd has given its written consent to being named as auditor of the Company in this Prospectus and the inclusion of the audited financial information of the Company contained in Section 6 of this Prospectus in the form and context in which it appears.

Steinepreis Paganin has given its written consent to being named as the Australian legal advisers to the Company in relation to the Offer in this Prospectus.

Spruson & Ferguson has given its written consent to being named as Patent and Trade Mark Attorneys in this Prospectus and to the inclusion of the Intellectual Property Report in Annexure B in the form and context in which the information and report is included.

Tegis Pty Ltd has given its written consent to being named as the corporate advisor to the Company in this Prospectus.

Sequoia has given its written consent to being named as the Lead Manager to the Company in this Prospectus.

Link Market Services Limited has given its written consent to being named as the share registry to the Company in this Prospectus.

10.10 Expenses of the Offer

The total expenses of the Offer and the Acquisition (excluding GST) are estimated to be approximately \$422,804 and are expected to be applied towards the items set out in the table below:

Item of Expenditure	\$
ASIC Fees	3,206
ASX Fees	98,598
Lead Manager Fees ¹	180,000
Legal Fees ²	108,500
Investigating Accountant's Fees	22,500
Printing and Distribution	7,500
Miscellaneous	2,500

Item of Expenditure	\$
TOTAL	422,804

Notes:

1. Refer to Section 9.1.1 for further information.
2. Includes fees payable to Steinepreis Paganin and Spruson & Ferguson.

11. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Mr Doug Rathbone
Chairman
For and on behalf of
Leaf Resources Limited

12. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

\$ means an Australian dollar.

Acquisition means the proposed acquisition by the Company of 100% of the issued capital in EQ from the Vendors.

Acquisition Agreements means the Founding Shareholder SSA and the Minority Shareholder SSA's.

Acquisition Resolutions has the meaning given in Section 2.

Advisor Shares has the meaning given in Section 2.

Apple Tree Creek Plant or **Plant** has the meaning given in Section 5.2.2.

Application Form means the application form attached to or accompanying this Prospectus relating to the Offer.

ASIC means Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the official listing rules of ASX.

Board means the board of Directors as constituted from time to time.

Business Days means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement.

Closing Date means the closing date of the Offer as set out in the indicative timetable in the Section 2 (subject to the Company reserving the right to extend the Closing Date or close the Offer early).

Company or **Leaf** means Leaf Resources Limited (ACN 074 969 056).

Company Group means:

- (a) AQL Mining Ltd;
- (b) Farmacule BioIndustries Pty Ltd;
- (c) Leaf Sciences Pty Ltd;
- (d) Leaf Research Pty Ltd;
- (e) Leaf Performance Plan Pty Ltd;
- (f) Leaf Resources USA, LLC;
- (g) Leaf Development LLC; and

(h) Leaf Malaysia OpCo Sdn Bhd.

Conditions has the meaning set out in Section 4.7.

Constitution means the constitution of the Company.

Consideration Options has the meaning given in Section 2.

Consideration Performance Rights has the meaning given in Section 2.

Consideration Securities has the meaning given in Section 2.

Consideration Shares has the meaning given in Section 2.

Consolidation has the meaning given in Section 2.

Corporations Act means *the Corporations Act 2001* (Cth).

Debt Conversion Shares has the meaning given in Section 2.

Directors means the directors of the Company at the date of this Prospectus.

EST means Eastern Standard Time as observed in Melbourne, Victoria.

Exercise Period has the meaning given in Section 10.3(d).

Exercise Price has the meaning given in Section 10.3(b).

Expiry Date has the meaning given in Section 10.3(c).

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to section 727(3) of the Corporations Act.

EQ means Essential Queensland Pty Ltd (ACN 617 150 320).

EQ Share means a fully paid ordinary share in EQ.

Founder Shareholder means Ramon Mountfort and Shirley Mountfort ATF Mounties1 Family Trust.

Founder Shareholder SSA has the meaning given in Section 2.

General Meeting means the meeting convened by the Notice of Meeting, scheduled to occur on 27 November 2020.

Independent Limited Assurance Report means the report attached at Annexure A.

Lead Manager or Sequoia means Sequoia Corporate Finance Pty Ltd (a Corporate Authorised Representative No 469074 of Sequoia Wealth Management Pty Limited, AFSL No. 472387).

Lead Manager Mandate means the agreement with the Lead Manager summarised in Section 9.1.1.

Lease has the meaning given in Section 5.2.2.

Minimum Subscription means the minimum amount to be raised under the Offer, being \$3,000,000.

Minority Shareholder has the meaning given in Section 2.

Minority Shareholder SSA's has the meaning given in Section 2.

Notice of Exercise has the meaning given in Section 10.3(e).

Notice of Meeting means the notice of general meeting, including the explanatory statement and proxy form, released on ASX on 29 October 2020 in relation to the General Meeting.

Offer means the offer of Shares pursuant to this Prospectus as set out in Section 4.1.

Offers means the Offer and the Secondary Offers.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX in accordance with the ASX Listing Rules.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Options Offer means the offer described in Section 4.2.1

Performance Right means a performance right convertible into a Share.

Performance Rights and Option Plan has the meaning set out in Section 10.4.

Performance Rights Offer means the offer described in Section 4.2.2.

Proposed Directors means Mr Terence Gray, Mr Grant Yeatman and Mr Ray Mountfort, each of which (subject to the passing of the Acquisition Resolutions) shall be appointed as Directors effective from completion of the Acquisition.

Prospectus means this prospectus.

Recommendations has the meaning set out in Section 8.6.

Secondary Offers means the Options Offer and the Performance Rights Offer.

Section means a Section of this Prospectus.

Securities means Shares, Options and Performance Rights.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

Tegis means Tegis Pty Ltd (ACN 120 347 088).

US means United States of America.

Vendors has the meaning given Section 2.

ANNEXURE A – INDEPENDENT LIMITED ASSURANCE REPORT

16 November 2020

The Directors
Leaf Resources Ltd
Suite 7 / 1 Westlink Court,
Darra, QLD, 4076 Australia

Dear Directors

Independent Limited Assurance Report on the historical and pro forma historical financial information for the proposed acquisition of Essential Queensland Pty Ltd

We have been engaged by Leaf Resources Ltd ("the Issuer") to report on the historical financial information and pro forma historical financial information in respect of the proposed conditional Share Sale Agreement by the Issuer to acquire all of the issued capital of Essential Queensland Pty Ltd ("the Acquiree"), an Australian private company, which utilises proprietary extraction technology to produce sustainable and renewable pine chemicals for sale into global markets for inclusion in a Prospectus document relating to the issue of 150,000,000 fully paid ordinary shares in the Issuer at \$0.02 each to raise \$3,000,000 before costs pursuant to the Offer ("the document").

Expressions and terms defined in the document have the same meaning in this report.

Scope

Historical Financial Information

You have requested William Buck to review the following historical information:

- In relation to the Issuer, the historical statements of comprehensive income, historical statement of financial position and historical statement of cash flows for year ended 30 June 2018 ("FY2018"); the year ended 30 June 2019 ("FY2019") and the year ended 30 June 2020 ("FY2020").
- In relation to the Acquiree, the historical statements of comprehensive income, historical statement of financial position and historical statement of cash flows for the financial period from incorporation being 2 February 2017 to 30 June 2018 ("2018"); the year ended 30 June 2019 ("FY2019") and the year ended 30 June 2020 ("FY2020"); and
- the pro-forma statements of financial position as of 30 June 2020 based on a maximum subscription scenario.

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the respective adopted accounting policies of the Issuer and Acquiree, which are disclosed in the financial information section of the Prospectus document.

The historical financial information has been extracted from the general-purpose financial reports of:

- the Issuer for the years ended 30 June 2018, 30 June 2019 and 30 June 2020, which were audited by Grant Thornton Audit Pty Ltd (“Grant Thornton”) in accordance with the Australian Auditing Standards. Grant Thornton issued unmodified audit opinions on the financial reports, as is disclosed in the notes to the financial information presented in the Prospectus document and
- the Acquiree for the for the financial period from incorporation being 2 February 2017 to 30 June 2018; the year ended 30 June 2019 and the year ended 30 June 2020, which were audited by William Buck Audit (Vic) Pty Ltd (“William Buck”). William Buck issued unmodified audit opinions on the financial reports, as is disclosed in the notes to the financial information presented in the Prospectus document

The historical financial information is presented in the public document in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro Forma historical financial information

You have requested William Buck to review the following pro forma historical information of the Issuer and the Acquiree referred to as “the pro forma historical financial information”.

- The pro forma historical Statement of Financial Position as at 30 June 2020.

The pro forma historical financial information has been derived from the historical financial information of the Issuer and the Acquiree, after adjusting for the effects of subsequent events and pro forma adjustments described in the financial information section of the Prospectus document. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events and transactions to which the pro forma adjustments relate, as described in the financial information section of the Prospectus document, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical information does not represent the actual or prospective financial position or financial performance of the Issuer and the Acquiree.

Directors’ responsibility

The directors of the Issuer are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and include in the pro forma historical information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review 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 Accounting Standards and consequently does not enable us to obtain reasonable 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.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information, as described in the financial information section of the Prospectus document, and comprising:

- the Statements of Financial Performance of the Issuer for the years ended 30 June 2018, 30 June 2019 and 30 June 2020;
- the Statements of Financial Position of the Issuer for the years ended 30 June 2018, 30 June 2019 and 30 June 2020; and
- the Statements of Cash Flows of the Issuer for the years ended 30 June 2018, 30 June 2019 and 30 June 2020;
- the Statements of Financial Performance of the Acquiree for the financial period from incorporation being 2 February 2017 to 30 June 2018 and the years ended 30 June 2019 and 30 June 2020;
- the Statements of Financial Position of the Acquiree for the financial period from incorporation being 2 February 2017 to 30 June 2018 and the years ended 30 June 2019 and 30 June 2020; and
- the Statements of Cash Flows of the Acquiree for the financial period from incorporation being 2 February 2017 to 30 June 2018 and the years ended 30 June 2019 and 30 June 2020;

is not presented fairly, in all material aspects, in accordance with the stated basis of preparation, as described in the financial information section of the Prospectus document.

Pro Forma historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro-forma historical financial information, as described in the financial information section of the Prospectus document, and comprising:

- The pro forma historical Statements of Financial Position as at 30 June 2020.

is not presented fairly, in all material aspects, in accordance with the stated basis of preparation, as described in the financial information section of the Prospectus document.

Restriction on Use

Without modifying our conclusions, we draw attention to the financial information section of the Prospectus document which describes the purpose of the financial information, being for inclusion in the public document. As a result, the financial information may not be suitable for use for another purpose.

William Buck has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.

Liability*Responsibility*

Consent to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it appears has been given, but should not be taken as an endorsement of the Issuer or a recommendation by William Buck of any participation in the share issue by any intending investors. At the date of this report our consent has not been withdrawn.

General Advice Limitation

This Report has been prepared and included in the Prospectus to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on this information contained in this Report. Before acting or relying on information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Declaration of Interest

William Buck does not have any interest in the outcome of the issue of shares other than in the preparation of this Investigating Accountant's Report for which normal professional fees will be received.

Yours faithfully



William Buck Audit (Vic) Pty Ltd

ABN 59 116 151 136



J. C. Luckins

Director

Melbourne, 16 November 2020

ANNEXURE B – INTELLECTUAL PROPERTY REPORT

10 November 2020

Established 1887

BY EMAIL TO: a.baker@leafresources.com.au

Spruson & Ferguson Pty Limited
ABN 55 601 269 050

Leaf Resources Limited
PO Box 3200
YERONGA QLD 4104

Level 24, Tower 2
Darling Park, 201 Sussex Street
Sydney NSW 2000, Australia

CONFIDENTIAL COMMUNICATION

Mail to: GPO Box 3898
Sydney NSW 2001, Australia

Attention: Alex Baker

Phone: +61 2 9393 0100
Fax: +61 2 9261 5486

Dear Alex

mail.au@spruson.com
www.spruson.com

Leaf Resources - IP Report

Our Ref: P0025886AUM:DAH:DCL

1. BACKGROUND AND SCOPE

This Report has been prepared by Spruson & Ferguson Patent and Trade Mark Attorneys (**Spruson & Ferguson**) at the request of Leaf Resources Pty Ltd (**Leaf**) and Essential Queensland Pty Ltd (**Essential**) in relation to Leaf's and Essential's intellectual property (**IP**) portfolio. The present Report has been prepared for inclusion in a Prospectus to be lodged at the Australian Securities and Investments Commission.

The Report summarises the details and status of the pending patent applications and patents of Leaf and its subsidiaries (**Leaf Group**) and Essential. To the best of our knowledge the Report is accurate as at its date, subject to the limitations and qualifications set out in Section 5.

2. OVERVIEW OF INTELLECTUAL PROPERTY

Intellectual property includes patents, registered designs, trade marks, copyright, plant breeders' rights and rights to require that information be confidential (commonly referred to as 'know how' or 'trade secrets').

Patents, registered designs, trade marks and copyright are the most common forms of intellectual property which can be enforced by an owner to prevent others from using or otherwise exploiting the intellectual property without the owner's permission.

This Report deals with intellectual property in the form of patents and patent applications.

2.1 Patents

A patent is a right granted by a government to the inventor of an article, device, substance, process, or method, which is new, inventive and useful, in return for its disclosure to the public at large. The inventor can assign or license this right.

Patents provide the inventor, or the inventor's assignee, with the exclusive right to "exploit" the invention for the life of the patent, which is generally 20 years. This exclusive right allows the patentee to prevent others from exploiting the invention covered by the patent in the country of grant by instituting an infringement action against the infringing party.

Under Australian law, "exploitation" includes:

1. where the invention is a product – to make, hire, sell or otherwise dispose of the product, to offer to make, sell, hire or otherwise dispose of it, to use or import it, or to keep it for the purpose of doing any of those things; or
2. where the invention is a method or process – to use the method or process or do any act mentioned in paragraph (a) in respect of a product resulting from such use.

Broadly, in order to be the subject of a patent, the invention must, *inter alia*, be new and not be obvious at the time of lodging the patent application. Subject to limited exceptions, demonstrating, selling, publishing, or discussing the invention in public is likely to preclude the inventor's or its assignee's ability to obtain a valid patent.

Eighteen months after lodgement of an initial patent application, the detailed description of the invention (contained in the complete patent specification) is published so as to be available for public inspection.

2.2 Patent validity

Grant of a patent does not guarantee validity, and an invalid patent is unenforceable. Further, the grant of a patent does not guarantee that all claims of that patent are valid.

The grant of a patent also does not guarantee that the invention defined therein can be exploited without infringing the rights of others.

As at the date of this Report, Spruson & Ferguson is unaware of any relevant proceedings in relation to the patent applications and patents referred to in this Report.

It is noted that not all of the patents referred to in this Report have proceeded to grant. As such, the pending patent applications (or any divisional applications arising therefrom) will not necessarily proceed to grant, or if they do achieve grant that the claims will be in the same form as they currently are. For example, the scope of the claims may be further restricted or narrowed during the examination process.

2.3 Payment of annual fees for patents

Patent applications and patents are subject to the payment of annual fees (annuities or taxes) throughout the life of the application and the granted patent. If annuities are not paid, the patent (or patent application) may lapse.

Renewals of Leaf Group's and Essential's respective patent portfolios are managed and handled by Spruson & Ferguson. Spruson & Ferguson have determined that at the time

of 2 November 2020 there are no overdue fees (i.e. annuities) owing in respect of the patent applications and patents unless otherwise indicated.

2.4 International conventions

There are a number of international conventions that relate to intellectual property. Many of these are administered by the World Intellectual Property Organisation (**WIPO**), which is an agency of the United Nations. Some features of the most important conventions are discussed below.

2.4.1 Paris Convention

The 'Paris Convention for the Protection of Industrial Property' currently has 177 member states, including Australia. However, there are some exceptions, for example, Taiwan is not a member of the Paris Convention. When seeking patent protection in foreign countries, it is necessary to lodge a separate application in each country or region where protection is desired and this may be done under the provisions of the Paris Convention within 12 months of the date of lodging a corresponding patent application in Australia.

2.4.2 Patent Cooperation Treaty (PCT)

The PCT allows for the lodgement of an 'international patent application'. This provides for a single application to designate any number of member states in which the patent is to be pursued, and provides priority in those states. To date, the PCT has 153 contracting states, including most industrialised countries. Australia is a signatory to the PCT. It is also possible to designate the European Patent Convention (EPC; see below) via the PCT.

The effect of filing an international application is to place an application on foot in each of the designated countries. Usually, the international application is filed within 12 months of lodging a provisional application and claims priority from that provisional application. The use of the PCT permits the effective lodgment and associated fees for each of the designated countries to be delayed by up to a further 18 or 19 months from the 12 month deadline under the Paris Convention. An application is said to be in the "international phase" from after filing the PCT application and until the filing of national applications (or in the case of the EPC, regional application), generally referred to as entering the "national phase".

2.4.3 International Search Report (ISR)

Use of the PCT procedure also means that the results of an early "prior art search" for publications pre-dating the filing date of the application which may be relevant to the patentability of the invention (the ISR), indicating the searcher's opinion on the novelty and inventiveness of the invention, are available before the deadline for paying the national phase fees in the designated countries.

2.4.4 Written Opinion(s)/International Preliminary Report on Patentability (IPRP)

Use of the PCT procedure can also involve certain recognised national patent offices (including the Australian Patent Office; IP Australia) providing comments on the relevance of the material listed in the ISR, in what is known as a Written Opinion. Although it is not compulsory, the PCT applicant can reply to the Written Opinion(s) with rebutting arguments and/or amendments. At the end of this process an IPRP issues. If all claims are said to meet the main three examined patentability requirements under this procedure (novelty, inventive step, industrial applicability), then the IPRP is said to be

"clear". Although not binding, a clear IPRP can be helpful in obtaining national patent protection in many jurisdictions. It is also important to note that a non-clear IPRP is not finally determinative of corresponding subsequent national patent application/s filed.

Searches of prior art are not designed to, and do not, indicate whether the commercial exploitation of the patent applicant's invention will infringe the patent rights of others. An invention with a "clear" IPRP may still infringe patent rights of third parties that a prior art search would not identify.

2.4.5 European Patent Convention (EPC)

Under the 'European Patent Convention', it is possible to lodge a single patent application to seek protection in any, or all, of the following European countries: Albania, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, Former Yugoslav Republic of Macedonia, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Liechtenstein, Lithuania, Luxembourg, Latvia, Monaco, Malta, The Netherlands, Norway, Poland, Portugal, Romania, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey and the United Kingdom. Several 'extension states' exist (Bosnia and Herzegovina, and Montenegro) which also recognize European patents upon request.

Under the EPC a single examination of the "regional" application is conducted by the EPO. The EPO will conduct their own comprehensive search and examination of an application according to their laws and may raise rejections or objections that cannot be overcome, even on the basis of documents which were recognised as not prejudicial in the IPRP. If an objection or rejection raised by the EPO cannot be overcome by amendment or by submissions, or by a combination of both, the patent application will be refused. Refusal of an application by the EPO means refusal of the application for the purposes of all of the member countries. Allowance (or acceptance) of the application by the EPO can lead to grant of a European patent, which must then be registered (or validated) in the chosen countries of those covered by the EPC to have effect in those countries.

2.4.6 National patents

There is no such thing as a 'world wide patent'. In order to obtain protection overseas, a national patent application must be lodged in each relevant jurisdiction. The result of examination of a national application in one country is not binding on any other country (as different to a "regional" application such as under the EPC, as noted at paragraph 2.4.5). Similarly, it is important to note that, in the case of a national application that has been through the PCT proceedings, a clear or favourable IPRP is not binding on a national office. Most national patent offices will conduct their own comprehensive search and examination of an application and may raise rejections or objections that cannot be overcome, even on the basis of documents which were recognised as not prejudicial in the IPRP. If an objection or rejection raised by a national office cannot be overcome by amendment or by submissions, or by a combination of both, the patent application will be refused. The grant of a patent in one country does not guarantee grant in others. Similarly, challenges to patent validity must generally be made in each country of interest. It is only upon grant of a patent in a particular country that the patentee then has enforceable rights in that country for the invention defined in the claims of the granted patent.

2.5 Overview of the Patenting Process

The usual first step in obtaining patent protection for an invention typically involves filing a “provisional” patent application. A purpose of the provisional application is to describe the invention and to provide 12 months within which to carry out additional experimental work or trials to further characterize the invention. The date of lodging the provisional application establishes a “priority date”.

At the end of the 12 month period, the provisional application lapses. In order to maintain the priority date a “complete” patent application must be filed prior on or before the end of that 12 month period.

If patent protection is sought in multiple countries, the complete application may be filed as a single “international” application pursuant to the Patent Cooperation Treaty (PCT) described above. This application represents a bundle of applications allowing patent protection to be pursued in countries that are signatories to the PCT.

After the “international phase” of this application, the “national” or “regional” phase is entered in individual signatory countries or regions as desired. Once the international (PCT) application enters this phase it undergoes examination before the relevant national patent office to determine whether the application proceeds to grant or is refused. Typically, substantive examination will include an assessment of whether the claimed invention satisfies the requirements of that jurisdiction for patentable subject matter, novelty, inventiveness and appropriate claim scope in view of what is described in the patent application.

In some circumstances, instead of filing a single complete PCT application, it may be preferable to file multiple complete applications in individual countries under the Paris Convention described above.

3. LEAF GROUP’S INTELLECTUAL PROPERTY PORTFOLIO

This section only includes pending patent applications and granted patents and does not contain any applications or patents which have been abandoned. Spruson & Ferguson is engaged in its professional capacity to provide patent services in respect of Leaf Group’s intellectual property portfolio.

Further details and the status of Leaf Group’s intellectual property portfolio are provided in **Schedule 1** of this report.

Patent Family 1 - METHODS FOR TREATING LIGNOCELLULOSIC MATERIAL (related to PCT/AU2015/050389)

This patent family relates to methods for producing modified cellulosic material that can be subsequently used to produce useful products, such as paper-based products and/or cellulose derivatives.

In brief, a number of the members of this patent family have now proceeded to grant and remain in force (i.e., Australian Patent Application No. 2015286229, Chinese Patent Application No. 201580037592.7 and Japanese Patent Application No. 6702959). Additionally, Brazilian Patent Application No. 11201700387-2, Canadian Patent Application No. 2953702, Indian Patent Application No. 201717003630, Mexican Patent Application No. MX/a/2017/000276, Malaysian Patent Application No. PI2017000015,

New Zealand Patent Application No. 728763, Thai Patent Application No. 1601007736, US Patent Application No. 15/324955 and South African Patent Application No. 2017/00406 remain pending and are at various stages of prosecution.

Spruson & Ferguson has not reviewed any documentation regarding ownership of the present patent family set out in **Schedule 1**.

Legal mechanisms exist by which third parties can bring evidence that they have sole or joint entitlement to an invention and any patent application or patent attained for that invention. At this time, we are not aware of any such third party in relation to the patent and patent applications in **Schedule 1**.

Additionally, and to the best of our knowledge, there has been no third party challenge to the validity or ownership of the patents or patent applications outlined in **Schedule 1** to date.

Patent Family 2 - METHODS FOR HYDROLYSING LIGNOCELLULOSIC MATERIAL (related to PCT/AU2015/050390)

This patent family relates to methods for producing at least partially hydrolysed lignocellulosic material that can be subsequently used to produce useful products, such as fermentable sugars and biofuels. In particular, the present family is directed to Leaf Group's Glycell process for pre-treating lignocellulosic material.

As shown in **Schedule 1**, some members of this patent family have now proceeded to grant and remain in force (i.e., Australian Patent Application No. 2015286230 and Chinese Patent Application No. 201580037593.1). Additionally, Brazilian Patent Application No. 112017000391-0, Canadian Patent Application No. 2953715, European Patent Application No. 15818823.5, Indonesian Patent Application No. P00201700916, Indian Patent Application No. 201717003783, Japanese Patent Application No. 2017-521265, Mexican Patent Application No. MX/a/2017/000277, Malaysian Patent Application No. PI2017000016, New Zealand Patent Application No. 728760, Thai Patent Application No. 1601007737, US Patent Application No. 15/324974 and South African Patent Application No. 2017/00422 remain pending and are at various stages of prosecution.

Spruson & Ferguson has not reviewed any documentation regarding ownership of the present patent family set out in **Schedule 1**.

Again, it is important to note that legal mechanisms exist by which third parties can bring evidence that they have sole or joint entitlement to an invention and any patent application or patent attained for that invention. At this time, we are not aware of any such third party in relation to the patent and patent applications in **Schedule 1**.

To the best of our knowledge, there has also been no third party challenge to the validity or ownership of the patents or patent applications outlined in **Schedule 1** to date.

Patent Family 3 - METHOD FOR EXTRACTING SILICA (related to PCT/AU2018/050530)

This patent family relates to methods for extracting silica and lignin from organic material and more particularly plant material, such as rice hulls, rice straw and sugarcane bagasse.

The present family includes corresponding Australian and Indian patent applications, which remain pending and are yet to commence examination before their respective patent offices. We also expect the subject matter of this patent family to be considered patent eligible in view of Australian and Indian patent law.

Spruson & Ferguson has not reviewed any documentation regarding ownership of the present patent family set out in **Schedule 1**.

Again, it is important to note that legal mechanisms exist by which third parties can bring evidence that they have sole or joint entitlement to an invention and any patent application or patent attained for that invention. At this time, we are not aware of any such third party in relation to the patent and patent applications in **Schedule 1**.

To the best of our knowledge, there has also been no third party challenge to the validity or ownership of the patent applications outlined in **Schedule 1** to date.

Patent Family 4 - METHOD OF GLYCEROL RECOVERY (PCT/AU2019/051430)

The present patent family relates to methods for separating and recycling polyols (e.g., glycerol) and sugars (e.g., xylose) from a liquids fraction produced following treatment of a lignocellulosic material with a pre-treatment solution. Again, we expect the subject matter of this patent family to constitute patentable subject matter in most jurisdictions, such as the US, Australian and Europe.

International patent application no. PCT/AU2019/051430 remains pending with the next step being national phase entry, which is due by 21 June 2021.

We have reviewed the assignment documentation that pertains to the present invention and are satisfied that Leaf Group is the owner of the PCT application listed in **Schedule 1**.

Again, it is important to note that legal mechanisms exist by which third parties can bring evidence that they have sole or joint entitlement to an invention and any patent application or patent attained for that invention. At this time, we are not aware of any such third party in relation to the patent and patent applications in **Schedule 1**.

To the best of our knowledge, there has also been no third party challenge to the validity or ownership of PCT/AU2019/051430 to date.

Patent Family 5 – TRANSCRIPTIONAL CONTROL ELEMENT, CHIMERIC CONSTRUCTS AND USES THEREFOR (related to PCT/AU2003/000919)

This patent family relates to a constitutive promoter for expression of endogenous coding sequences in plants, including dicotyledonous and monocotyledonous plants. The promoter is from the Taro bacilliform virus (TaBV), a badnavirus and methods of using said promoter are also covered by the present patent family.

Each of the four patents in this particular family have now been granted and remain in force.

Spruson & Ferguson has not reviewed any documentation regarding ownership of the present patent family set out in **Schedule 1**.

For Australian Patent No. 2003243838, we note that this application remains in the name of Queensland University of Technology. We understand, however, that a request to record a change of ownership of this application to Farmacule BioIndustries Pty Ltd has been filed with the Australian Patent Office.

Again, it is important to note that legal mechanisms exist by which third parties can bring evidence that they have sole or joint entitlement to an invention and any patent application or patent attained for that invention. At this time, we are not aware of any such third party in relation to the patent and patent applications in **Schedule 1**.

To the best of our knowledge, there has also been no third party challenge to the validity or ownership of the patent applications outlined in **Schedule 1** to date.

Unregistered Trademarks

A review of the Leaf Resources website (<http://leafresources.com.au/>) shows that a number of trademarks are being used that have not been registered.

These are listed in Schedule 2. At least in respect of the mark GLYCELL, the correct TM symbol is being used in connection with this unregistered mark.

Under Australian law, a trade mark can either be (i) registered under the Trade Marks Act 1995, or (ii) unregistered ('common law' trade marks).

The rights attaching to a trade mark (and the practical implications surrounding enforcement and dealing with the trade mark as property) are significantly different depending on whether a mark is registered or unregistered.

Unregistered trade mark rights can be protected via an action for breach of the Australian Consumer Law (specifically, sections 18 and 29 which prohibit misleading and deceptive conduct), and/or the common law tort of passing off (which is very similar to an action for misleading or deceptive conduct under the ACL).

Use of an unregistered trade mark can also give rise to a claim for proprietorship of the trade mark at common law. In some cases, this claim can be used to oppose or invalidate an identical or near identical registered trade mark, or justify registration of a trade mark in the face of an earlier similar registered mark owned by another party.

However, unregistered trade marks suffer from some significant disadvantages.

Enforcement of rights in an unregistered trade mark is more difficult and generally depends on proving that the unregistered trade mark has a reputation for particular goods or services. This reputation can be limited to particular geographic area, which can make enforcement difficult outside of that area. Similarly, the test for passing off or breach of the Australian Consumer Law is based on a 'mislead or deceive' test, rather than a lower threshold test of 'confusion' which is used to determine infringement of a registered trade mark.

An unregistered trade mark also cannot be assigned or transferred separately from the underlying goodwill of the business. This can make it difficult to quarantine IP for asset protection purposes.

Conversely, a registered trade mark does not require any evidence of reputation to enforce, and also grants Australia wide trade mark rights. Further, the test for infringement of a registered

trade mark is based on 'confusion', i.e. whether an ordinary consumer would be caused to wonder whether the registered mark and the infringing mark were the same or were related in some way.

In addition to being easier to enforce, a registered trade mark also provides a statutory defence to its owner against claims of infringement of other registered trade marks, provided that the alleged infringer is using their mark in the form it is registered, and for the goods and/or services covered by their registration.

A registered trade mark also grants access to filing overseas trade marks under the Madrid Protocol (an international system of filing trade marks in multiple foreign countries via one International Applications).

If a trade mark or trade marks are important to the business, we strongly recommend that these trade marks be registered. While unregistered trade mark rights are enforceable and have some value, they are inferior in almost all practical respects to registered trade marks.

4. ESSENTIAL'S INTELLECTUAL PROPERTY PORTFOLIO

This section only includes pending patent applications and does not contain any applications or patents which have been abandoned. Spruson & Ferguson is engaged in its professional capacity to provide patent services in respect of Essential's intellectual property portfolio.

Further details and the status of Essential's intellectual property portfolio are provided in **Schedule 3** of this report.

Patent Family - METHOD OF EXTRACTION (Australian Provisional Patent Application No. 2020901996)

Australian Provisional Patent Application No. 2020901996 was filed on 16 June 2020 in the name of Essential Queensland Pty Ltd.

This application is directed to methods and an apparatus for extracting terpenes and rosin from coniferous wood. We do not expect that this invention should present any patentable subject matter issues.

This provisional application will lapse on 16 June 2021, which is 12 months from the filing date thereof. By this deadline, it will be necessary for Essential Queensland Pty Ltd to decide whether to further pursue patent protection in Australia and/or other jurisdictions by way of one or more convention applications or a PCT application.

Spruson & Ferguson has not reviewed any documentation regarding ownership of the present patent family set out in **Schedule 3**.

Again, it is important to note that legal mechanisms exist by which third parties can bring evidence that they have sole or joint entitlement to an invention and any patent application or patent attained for that invention. At this time, we are not aware of any such third party in relation to the patent and patent applications in **Schedule 3**.

To the best of our knowledge, there has also been no third party challenge to the validity or ownership of the patent applications outlined in **Schedule 3** to date.

Unregistered Trademarks

A review of the Essential Queensland website (<https://www.essentialqld.com.au/>) shows that a number of trademarks are being used that have not been registered. These are listed in **Schedule 4**. At least in respect of the mark GLYCELL, the correct TM symbol is being used in connection with this unregistered mark.

5. LIMITATIONS AND DISCLAIMERS

5.1 Search limitations

5.1.1 General

The prior art (or “novelty”) searches conducted by the various patent offices to determine whether a patent should be granted are limited in terms of the time periods and the geographical areas covered. Thus, the databases used in searching may not include older published documents and may not cover certain jurisdictions. Further, all searches are subject to the accuracy and scope of the material searched as well as the classification criteria adopted. Accordingly, whilst the searches conducted by various patent offices provide a reasonable indication of patentability, these and other factors make it impossible to guarantee that every relevant prior art record has been identified and considered. Hence, any conclusions regarding the validity of claims in a patent based on patent office searches should be regarded as indicative rather than conclusive.

5.1.2 Unpublished Documents

Searches cannot locate documents which have not been published at the time of conducting the search. In most countries, publication of a patent application does not occur until 18 months from the earliest priority date. Delays between official publication and the implementation of information onto the relevant databases can also occur.

5.1.3 Non-patent prior art documents and disclosure

No search can ever be considered entirely conclusive or exhaustive because some forms of prior art such as prior public use, oral disclosures, prior commercial exploitation and prior publication in non-patent literature, cannot be searched systematically.

5.1.4 Commercialisation/Secret Use

The commercialization or secret use of an invention that is the subject of a patent application can affect the patentability of the invention and the validity of any patent granted on the invention. Such commercialization or secret use is unlikely to be identified by documentary searches of publicly accessible databases.

5.1.5 Reliance on cited prior art classification

The views expressed in relation to relevance of the prior art cited in various searching and examination reports are based on the relevant classification attributed in such reports.

5.1.6 Searching and other matters relevant to validity

Searching may not disclose other matters relevant to validity including, for example, matters relevant to obviousness (i.e. inventive step).

5.2 Examination Reports in one Country Not Binding in Other Countries

Patent applications lodged in each country are generally subject to an independent search and examination by the local patent office, the results of which are not binding in

other jurisdictions. Equally, international PCT search and examination reports are not binding on national patent applications during examination in the national phase. Such search and/or examination reports should therefore be regarded as relevant to patentability in the particular jurisdiction and not determinative of patentability elsewhere. Furthermore, grant of a patent in one country does not guarantee that patent/s for the same or related inventions will be granted in other countries.

5.3 Grant of Patent Provides no Guarantee of Validity

Grant of a patent by a national patent office provides an indication rather than a guarantee of its validity. In most jurisdictions, a patent application is subject to substantive examination prior to grant. Although this process confers an initial presumption of validity, a patent may be challenged at any time after grant by way of revocation proceedings undertaken in a court of competent jurisdiction. In certain countries a granted patent may be subjected to re-examination by the patent office, particularly if relevant prior art is identified that was not considered during initial examination of the application.

5.4 Grant of Patent Provides no Guarantee of Non-infringement

Grant of a patent provides no guarantee that the patentee is entitled to commercially exploit the patented invention. For example, the working of an invention, even if validly patented, may nevertheless infringe an earlier patent or other intellectual property rights.

5.5 Scope of Claims May Vary During Examination

It may be possible, and is often necessary, during the examination of a patent application to define the invention more specifically by amendment of the claims to distinguish the invention over relevant prior art. Accordingly, there may be variations in the claims between countries, reflecting in part the different national examination procedures and threshold patentability requirements. Such amendments may affect the scope and hence the commercial significance of the resultant patent protection.

5.6 Enforcement of Patent Rights

Upon grant of a patent, a patentee may initiate proceedings against an alleged infringer of the patent. In many jurisdictions, damages for infringement may be awarded for infringements occurring from the date of publication of the patent specification, provided certain criteria are met.

5.5 Infringement of the rights of others

As noted above, searches conducted during patent prosecution do not provide any guarantee that the subject inventions may be commercially exploited without risk of infringement of third parties. More particularly, searches focused on novelty and inventive step have different strategies from infringement searches (which seek to establish whether a specific activity is likely to infringe other parties' patent rights).

5.8 Entitlement to Priority

In order for material disclosed in a patent application to be entitled to the priority date of a corresponding provisional application, there must have been (for Australia under the current patent law) a "real and reasonably clear disclosure" of such material in the provisional application. Similar provisions apply in other jurisdictions. Subject matter not so disclosed is not entitled to the claim to priority, which may affect patentability of the subject invention or the validity of any patent that may be granted.

5.9 Changes to Patent and Trade Mark Law

From time to time the statutory basis governing patents in a particular jurisdiction may be amended by the relevant authority, typically the government of that jurisdiction. In addition, the practical effect of the statute may evolve by the development of case law, that is, by the interpretation of the statute by the relevant Courts.

5.10 Duty of disclosure

In some jurisdictions there is a duty to disclose certain information to the relevant Patent Office. This information can include search results issued in respect of corresponding foreign applications, and/or any prior art information known to the applicant or its agents, which can be considered material to the patentability of the relevant invention. Failure to disclose such information in accordance with jurisdictional requirements can adversely affect the validity and/or enforceability of the relevant patent.

5.11 Reliance on information provided

The preparation of this Report has included access to and reliance on information contained in publicly available databases relevant to the patent applications and trade marks. Spruson & Ferguson is not responsible for the accuracy of information available in public databases.

In addition, in conducting due diligence enquiries and preparing this report, we have assumed that:

- all copies of documents reviewed are accurate and complete and all factual statements and representations made in each document are accurate and complete;
- except where expressly stated otherwise, each agreement reviewed has been duly authorised and validly executed by all parties, binds the parties in accordance with its terms, is not liable to be terminated, varied, revoked or repudiated by any party, and the parties have complied with their obligations under the agreement;
- factual matters referred to in this Report are based on our instructions from Leaf and Essential. We have not conducted any independent enquiries as to the accuracy or completeness of the information provided to us;
- Leaf and Essential are not aware of any information that could affect the correctness of the opinions expressed in this report which was not communicated to us; and
- the laws of Queensland and the Commonwealth of Australia apply and we have not made any investigation into, or express any opinion with regard to, the laws of any other jurisdiction.

6. Spruson & Ferguson's interest

Spruson & Ferguson are engaged by Leaf and Essential for professional patent services. Spruson & Ferguson has been and continues to be involved in the preparation, filing and prosecution of patent applications for both companies, including those set out in this Report. To this end, both Leaf and Essential have given their consent for Spruson & Ferguson to prepare the present report in relation to their respective IP portfolios. Spruson & Ferguson has no financial interest in Leaf or Essential over and above the fees charged for the professional work done. The fees charged for that professional work, including the preparation of this Report, are based upon Spruson & Ferguson's standard rates of charging.

Spruson & Ferguson has no involvement in the preparation of the Prospectus by Leaf and Essential, other than the preparation of the present report. As such, Spruson & Ferguson is considered independent of Leaf and Essential for the purpose of preparing this report and gives its consent for inclusion of this report in the prospectus.

Yours sincerely

SPRUSON & FERGUSON

A handwritten signature in black ink, appearing to read 'M. Zammit', with a large, stylized loop at the end.

Mike Zammit

BSc (Hons) PhD MIP

Principal

mike.zammit@spruson.com

Schedule 1 – Leaf Group's Patents & Patent Applications

Patent/Patent Application No.	Title	Owners	Case Status	Country	Property Type	Next Renewal Date	Next Action Due
2015286229	METHODS FOR TREATING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Registered	Australia	Patent	10/07/2021	
BR11201700387-2	METHODS FOR TREATING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Under examination - Response to examiner's report lodged	Brazil	Patent	10/07/2021	
2953702	METHODS FOR TREATING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Examination requested	Canada	Patent	10/07/2021	
201580037592.7	METHODS FOR TREATING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Registered	China	Patent	10/07/2021	
201717003630	METHODS FOR TREATING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Examination requested	India	Patent		

Patent/Patent Application No.	Title	Owners	Case Status	Country	Property Type	Next Renewal Date	Next Action Due
2017-521264 (6702959)	METHODS FOR TREATING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Registered	Japan	Patent	11/05/2023	
MX/a/2017/000276	METHODS FOR TREATING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Application lodged: awaiting examination report	Mexico	Patent		
PI2017000015	METHODS FOR TREATING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Examination requested	Malaysia	Patent		
728763	METHODS FOR TREATING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Examination requested	New Zealand	Patent	10/07/2021	
1601007736	METHODS FOR TREATING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Under examination - Response to examiner's report lodged	Thailand	Patent		Deadline to request examination 2/08/2022
15/324955 (US20170211231)	METHODS FOR TREATING LIGNOCELLULOSIC	Leaf Sciences Pty Ltd	Response to examiner's	United States of	Patent		

Patent/Patent Application No.	Title	Owners	Case Status	Country	Property Type	Next Renewal Date	Next Action Due
	MATERIAL		report lodged	America			
2017/00406	METHODS FOR TREATING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Application lodged: acceptance delayed	Republic of South Africa	Patent	10/07/2021	Deadline to further delay acceptance 18/04/2021
2015286230	METHODS FOR HYDROLYSING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Registered	Australia	Patent	10/07/2021	
BR112017000391-0	METHODS FOR HYDROLYSING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Under Examination - Response to examiner's report lodged	Brazil	Patent	10/07/2021	
2953715	METHODS FOR HYDROLYSING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Examination requested	Canada	Patent	10/07/2021	
201580037593.1	METHODS FOR HYDROLYSING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Registered	China	Patent	10/07/2021	


Patent/Patent Application No.	Title	Owners	Case Status	Country	Property Type	Next Renewal Date	Next Action Due
15818823.5	METHODS FOR HYDROLYSING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Under Examination - Response to examiner's report lodged	Europe	Patent	10/07/2021	
P00201700916	METHODS FOR HYDROLYSING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Under Examination - Response to examiner's report lodged	Indonesia	Patent		
201717003783	METHODS FOR HYDROLYSING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Examination requested	India	Patent		
2017-521265	METHODS FOR HYDROLYSING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Under Examination - Examiner's report received	Japan	Patent		Extended response deadline 9/12/20
MX/a/2017/000277	METHODS FOR HYDROLYSING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Application lodged: awaiting examination report	Mexico	Patent		

Patent/Patent Application No.	Title	Owners	Case Status	Country	Property Type	Next Renewal Date	Next Action Due
PI2017000016	METHODS FOR HYDROLYSING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Examination Requested	Malaysia	Patent		
728760	METHODS FOR HYDROLYSING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Examination requested	New Zealand	Patent	10/07/2021	
1601007737	METHODS FOR HYDROLYSING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Response to examiner's report lodged	Thailand	Patent		Deadline to request examination 2/08/2022
15/324974	METHODS FOR HYDROLYSING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Final Office Action received	United States of America	Patent		Initial response deadline 28/11/2020
2017/00422	METHODS FOR HYDROLYSING LIGNOCELLULOSIC MATERIAL	Leaf Sciences Pty Ltd	Application lodged: acceptance delayed	Republic of South Africa	Patent	10/07/2021	Deadline to further delay acceptance 18/04/2021
2018276308	Method for extracting silica	Leaf Research Pty Ltd	Application lodged and	Australia	Patent	31/05/2022	

Patent/Patent Application No.	Title	Owners	Case Status	Country	Property Type	Next Renewal Date	Next Action Due
			pending				
201917050021	METHOD FOR EXTRACTING SILICA	Leaf Research Pty Ltd	Application lodged and pending	India	Patent		Deadline to request examination 31/05/2021
PCT/AU2019/051430	Method of glycerol recovery	Leaf Resources Limited	App lodged: filing receipt rec'd	Patent Co-operation Treaty	Patent		30 month National Phase Entry deadline 21/06/2021
2003243838	Transcriptional control element, chimeric constructs and uses therefor	Queensland University of Technology	Registered	Australia	Patent	17/07/21	
7,598,366	TaBV transcriptional control elements, chimeric constructs and uses therefor	Farmacule BioIndustries Pty Ltd	Registered	United States of America	Patent	6/04/21	
9,416,365	TaBV transcriptional control element, chimeric constructs and uses therefor	Farmacule BioIndustries Pty Ltd	Registered	United States of America	Patent	16/02/24	

Patent/Patent Application No.	Title	Owners	Case Status	Country	Property Type	Next Renewal Date	Next Action Due
10,415,047	TaBV transcriptional control element, chimeric constructs and uses therefor	Farmacule BioIndustries Pty Ltd	Registered	United States of America	Patent	17/03/2023	


Schedule 2 – Leaf Group's Unregistered Trade Marks

Mark	Goods/Services	Owner	Comment
Glycell	Process of hydrolysing woody and non-woody feedstocks to produce cellulosic sugars, lignin and refined glycerol	Leaf Resources Ltd	Correctly uses TM
Leaf Resources	Non-specific, appears to be used primarily with products and delivery of services associated with biofuel production	Leaf Resources Ltd	
	Non-specific, appears to be used primarily with products and delivery of services associated with biofuel production	Leaf Resources Ltd	

Schedule 3 – Essential's Patents & Patent Applications

Patent/Patent Application No.	Title	Owners	Case Status	Country	Property Type	Next Renewal Date	Next Action Due
2020901996	Method of extraction	Essential Queensland Pty Ltd	Provisional application lodged and pending	Australia	Patent		12 month post-provisional filing deadline 16/06/2021

Schedule 4 – Essential's Unregistered Trade Marks

Mark	Goods/Services	Owner	Comment
Essential Queensland	Non-specific, appears to be used primarily with plant extracts and delivery of services associated with production of plant extracts, such as rosin, terpenes and palmarosa oil	Essential Queensland Pty Ltd	
 Essential Queensland Pty Limited Sustainable Natural Plant Extracts	Non-specific, appears to be used primarily with plant extracts and delivery of services associated with production of plant extracts, such as rosin, terpenes and palmarosa oil	Essential Queensland Pty Ltd	