



LEAF
RESOURCES

SUSTAINABLE PRODUCTS FROM PLANT BIOMASS

Appendix 4D

PRELIMINARY HALF-YEAR REPORT

31 December 2020

ABN 18 074 969 056

1. Reporting Period and previous corresponding period.

Reporting period: Half-year ended 31 December 2020
 Previous reporting period: Half-year ended 31 December 2019

2. Results for announcement to the market.

Key Information

					\$'000
Revenue from ordinary activities	Down	30%	to		6
(Loss) from ordinary activities after tax attributable to members	Up	332%	to		(1,194)
(Loss) for the period attributable to members	Up	332%	to		(1,194)

The Group's operating loss after tax for the half-year ended 31 December 2020 amounted to \$1,194,989 (31 December 2019 – loss of \$276,524).

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

Explanation of results

The acquisition of Essential Queensland Pty Ltd (Essential Queensland) by Leaf Resources Ltd (the "Company") has the features of a reverse acquisition under Australian Accounting Standards AASB 3 "Business Combinations", notwithstanding the Company being the legal parent of the Group. Consequently, the historical financial information presented in this report for the half-year ended 31 December 2020 is the historical financial information of Essential Queensland.

The acquisition of the Company by Essential Queensland is outside the scope of AASB 3 as the accounting acquiree does not constitute a business as defined by this standard. In this instance, the principles of reverse acquisition accounting are applied to determine the accounting acquirer but the transactions are accounted for as share based payments by the accounting acquirer in accordance with AASB 2 "Share-based Payment".

The legal structure of the Group subsequent to the acquisition of Essential Queensland is that the Company is the legal parent entity. However, the principles of reverse acquisition accounting are applicable where the owners of the acquired entity (in this case, the Company) obtain control of the acquiring entity (in this case, Essential Queensland) as a result of the business' combination.

Under reverse acquisition accounting, the consolidated financial statements are issued under the name of the legal parent (the Company) but are a continuation of the financial statements of the legal subsidiary (Essential Queensland), with the assets and liabilities of the legal subsidiary being recognised and measured at their pre-combination carrying amounts rather than their fair values.

As per AASB 3 the Company has applied the provisional basis for accounting with regards to the accounting treatment of the business combination. Given the transaction completed on 22 December 2020 just prior to the reporting date of 31

December 2020 the Company is currently in the process of reviewing the various components of the business combination as of the acquisition date in accordance with the standard. The key areas of focus relate to the intangible assets and equity interests acquired as a result of the transaction.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-ended 31 December 2020

	31-Dec 2020 \$	31-Dec 2019 \$
Revenue	6,035	8,596
Interest Income	26,622	1,380
Government Covid-19 assistance	206,693	-
Research & Development credits	614,690	256,140
Other income	-	7,205
Plant operational expenses	(814,652)	(95,136)
Depreciation and amortisation	(97,058)	(82,609)
Employee and consultant expenses	(721,127)	(242,127)
Administrative expenses	(30,148)	(68,983)
Finance costs	(62,812)	(60,990)
Share based payments	(298,301)	-
Foreign currency losses	(24,931)	-
Loss before income tax	(1,194,989)	(276,524)
Income tax benefit	-	-
Loss for the period	(1,194,989)	(276,524)
Other comprehensive income	-	-
Total comprehensive loss for the period attributable to equity holders of the Company	(1,194,989)	(276,524)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	31-Dec 2020 \$	30-Jun 2020 \$
Current Assets		
Cash and cash equivalents	2,205,148	1,390,260
Trade and other receivables	832,425	657,124
Other current assets	107,699	66,083
Total Current Assets	3,145,272	2,113,467
Non-Current Assets		
Property, plant and equipment	4,328,306	2,498,086
Intangible assets	7,515,114	-
Other non-current assets	174,686	117,069
Total Non-Current Assets	11,964,989	2,615,155
Total Assets	15,110,261	4,728,622
Current Liabilities		
Trade and other payables	484,583	116,635
Borrowings	300,000	233,282
Lease liability	251,629	176,051
Provisions	139,456	37,843
Total Current Liabilities	1,175,668	563,811
Non-Current Liabilities		
Lease liability	1,739,952	1,473,989
Total Non-Current Liabilities	1,739,952	1,473,989
Total Liabilities	2,915,620	2,037,800
Net Assets	12,194,641	2,690,822
Equity		
Equity attributable to owners of the parent:		
Issued capital	15,303,829	4,903,322
Reserves	365,911	67,610
Accumulated losses	(3,475,099)	(2,280,110)
Total Equity	12,194,641	2,690,822

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2020

	31-Dec 2020 \$	31-Dec 2019 \$
Net cash flows from operating activities		
Receipts from customers	340	22,024
Government Covid-19 assistance	209,693	-
Payments to suppliers & employees	(1,734,567)	(478,820)
Interest received	321	1,380
Interest Paid	(61,569)	(60,990)
R&D tax incentive refund	637,216	712,249
Net cash used in operating activities	(948,567)	195,843
Cash flows from investing activities		
Payment for plant & equipment	(1,511,954)	(21,926)
Funds acquired on completion of transaction	50,887	-
Net cash provided by investing activities	(1,461,068)	(21,926)
Cash flows from financing activities		
Proceeds from issue of shares	4,180,000	-
Share issue transaction costs	(300,480)	-
Proceeds from / (repayment of) Borrowings	(533,282)	-
Payment of principal portion of lease payments	(96,775)	(123,798)
Net cash provided by (used in) financing activities	3,249,463	(123,798)
Net increase in cash and cash equivalents	839,829	50,119
Foreign exchange losses	(24,931)	-
Cash and cash equivalents at the beginning of the period	1,390,260	21,017
Cash and cash equivalents at the end of the period	2,205,158	71,136

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2020

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2020	4,903,322	(2,280,110)	67,610	2,690,822
Loss for the period	-	(1,194,989)	-	(1,194,989)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	(1,194,989)	-	(1,194,989)
Shares issued	10,651,308	-	-	10,651,308
Share issue transaction costs	(250,801)	-	-	(250,801)
Share based payments – options & rights	-	-	298,301	298,301
Total transactions with owners	10,400,507	-	298,301	10,698,808
Balance at 31 December 2020	15,303,829	(3,475,099)	365,911	12,194,641
Balance at 1 July 2019	2,487,851	(1,374,641)	-	1,113,210
Loss for the period	-	(276,524)	-	(276,524)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	(276,524)	-	(276,524)
Total transactions with owners	-	-	-	-
Balance at 31 December 2019	2,487,851	(1,651,166)	-	836,685

3. Net Tangible Assets.

	Current Period	Previous Period
Net tangible asset backing per ordinary share	0.31 cents	9.27 cents

4. Details of entities over which control has been gained or lost.

Control gained over entities

4.1 Essential Queensland Pty Ltd – as disclosed in section 10

4.2 Date control gained - 22 December 2020

4.3 See section 2 “Explanation of Results” that details the accounting treatment of the reverse acquisition and impact on financial results.

Control lost over entities N/A

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

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

7. Details of subsidiaries, associates and joint venture entities.

Name Unlisted:	Principal activities	Country of incorporation	Class of shares	Ownership interest	
				31 Dec 2020 %	31 Dec 2019 %
Subsidiaries of Leaf Resources Ltd					
Essential Queensland Pty Ltd	Natural pine chemicals extraction	Australia	Ord	100	0
AQL Mining Pty Ltd	Mining of gravel and general fill	Australia	Ord	100	100
Farmacule BioIndustries Pty Ltd	Research & development	Australia	Ord	100	100
Leaf Sciences Pty Ltd	Intellectual property owner	Australia	Ord	100	100
Leaf Research Pty Ltd	Research & development	Australia	Ord	100	100
Leaf Performance Plan Pty Ltd	Trustee of employee share trust	Australia	Ord	100	100
Leaf Resources USA, LLC	Investor in Leaf Development, LLC	USA	Ord	100	100
Subsidiaries of Leaf Resources USA, LLC					
Leaf Development LLC	Investment Company	USA	Ord	80	80
Subsidiaries of Leaf Development LLC					
Leaf Malaysia OpCo Sdn. Bhd.	Investment Company	Malaysia	Ord	49*	49*

* Effective group shareholding is 39% based on 80% ownership interest of Leaf Development LLC

8. Foreign entities – not applicable.

9. Review

This report is based on the unreviewed financial statements for the half year ended 31 December 2020. The Company will immediately make an announcement to the market if there is a material difference between its unreviewed accounts and its reviewed accounts.

10. Commentary on the results for the period.

ESSENTIAL QUEENSLAND TRANSACTION & CAPITAL RAISING

As announced on the 22nd December 2020, Leaf Resources Ltd (“Leaf” or “the Company”) completed the scrip acquisition of 100% of the issued capital of Essential Queensland Pty Ltd (“EQ”) and finalised a \$3,000,000 capital raising to fund growth and re-compliance with chapters 1 & 2 of the ASX listing rules.

The capital raising was strongly supported by a range of institutional and retail investors across Australia and New Zealand, representing both new and existing shareholders.

EQ has developed a proprietary process to extract rosin and terpenes from pine logs, producing the highest quality, clean gum rosin and terpenes which are used in a multitude of consumer products, including perfumes, cosmetics, food additives, adhesives, disinfectants, synthetic rubbers and printing inks. The pine chemicals market is estimated at US\$10bn. EQ’s initial Apple Tree Creek plant, which has a planned operational capacity of 8,000 tonnes per annum of chemicals was under construction during the half-year reporting period ending 31 December 2020.

EQ is synergistic with Leaf's current technology as EQ's extraction process removes chemicals from pine, with the resultant waste wood chip having the potential to become a new strategic biomass supply for Leaf's Glycell™ process. The Glycell™ process converts non-food plant biomass into lignin and industrial sugars that can be converted into useful, sustainable, renewable chemicals, biodegradable and recyclable biomaterials including bioplastics.

LEAF RESOURCES MALAYSIAN PROJECT

Leaf's option on the site at Segamat in Malaysia had received extensions due to COVID-19 in 2020 but recently came up for renewal. Given the abundance of land at Segamat and the new focus on EQ the option was not renewed.



..... Date: 26 February 2021

Tim Pritchard
Company Secretary