



Appendix 4D

HALF-YEAR REPORT

31 December 2021

ABN 18 074 969 056

1. Reporting Period and previous corresponding period.

Reporting period: Half-year ended 31 December 2021
 Previous reporting period: Half-year ended 31 December 2020

2. Results for announcement to the market.

Key Information

				\$'000
Revenue from ordinary activities	Up	2,489%	to	150
(Loss) from ordinary activities after tax attributable to members	Down	50%	to	(4,391)
(Loss) for the period attributable to members	Down	50%	to	(4,391)

The Group's operating loss after tax for the half-year ended 31 December 2021 amounted to \$4,391,212 (31 December 2020 – loss of \$8,710,103).

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

Explanation of results

During the period, the Leaf Resources ('the Company' or "Leaf") made further investment into the Research and Development Plant at Apple Tree Creek. Investment went towards completion of the wood chemical extraction plant, and research into the viability of stumps as a feedstock into the chemical extraction process.

On 15 November 2021, Leaf requested a trading halt of its securities after experiencing an explosion at its Apple Tree Creek chemical plant ('site' or 'Plant'). On 17 November 2021 the ASX granted the Company voluntary suspension. The explosion occurred at approximately 9.45pm on Friday 12 November 2021 and five personnel were on site at the time.

Fixed assets with a book value of \$1,621,929 were written off as a result of the explosion. The Group is currently working with its insurance providers to claim for repairs and replacements of damaged machinery and equipment as a result of the incident at the Apple Tree Creek plant. The Group is also working on planning for the rebuild, and as such the sum of claims can only be reliably estimated once planning has been completed.

3. Net Tangible Assets.

	Current Year	Previous Year
Net tangible asset backing per ordinary share	0.51 cents	0.30 cents

4. Details of entities over which control has been gained or lost during the period, including the follow.

Control gained over entities

4.1 Leaf Malaysia OpCo Sdn. Bhd.

4.2 Date control gained – 6 September 2021

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 2021 %	31 Dec 2020 %
Subsidiaries of Leaf Resources Ltd					
Essential Queensland Pty Ltd	Natural pine chemicals extraction	Australia	Ord	100	100
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	100	49

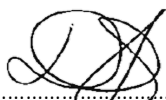
8. Foreign entities – not applicable.

9. Audit

The financial report has been independently reviewed by Grant Thornton Pty Ltd, who have issued an unqualified review opinion. The Independent Auditor's Review Report contains an Emphasis of Matter related to the disclosures made in the financial report relating to Going Concern.

10. Commentary on the results for the period.

Refer to the commentary included in the attached 31 December 2021 Financial Report.



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Date: 28 February 2022

By order of the Board

Drew Speedy

Company Secretary

LEAF RESOURCES

Appendix 4D

Interim Financial Report

For the half-year ended 31 December 2021

ABN 18 074 969 056



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Directors' Report

The Directors of Leaf Resources Limited ('Leaf Resources' or 'Leaf') present their report together with the financial statements of Leaf Resources Limited ('the Company') and its controlled entities ('the Group') for the period ended 31 December 2021.

Directors' details

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

Ken Richards	Chair of the Board – Appointed 22 December 2020 Director – Appointed 31 August 2007 Member of the audit committee – Appointed 28 January 2021
Ramon Mounifort	Managing Director – Appointed 22 December 2020
Grant Yeatman	Executive Director – Appointed 22 December 2020
Terence Gray	Non-Executive Director – Appointed 22 December 2020 Chair of the audit committee – Appointed 28 January 2021
Doug Rathbone	Non-Executive Director – Appointed 1 November 2016 Member of the audit committee – Appointed 1 November 2016

Review of Operations and Financial Results

The Group's operating loss for the half year period was \$4,391,212, (31 December 2020 loss – \$8,710,103). At 31 December 2021, the Group's net assets totalled \$8,047,064, which included cash assets of \$3,863,849.

Principle Activities

During the period, our principal activities included research and development of environmentally sustainable methods of extracting wood chemicals on an industrial level.

OPERATIONAL UPDATE

Pine Stump Trials

In July 2021 Leaf confirmed the viability of pine stumps as a feedstock to its natural chemical production process which both increases wood supply and yields while regenerating the forest for replanting. Since then, Leaf and HQ Plantations Pty Ltd have committed extensive time and resources to a 1,000-tonne stump trial to refine and optimise harvesting, handling, and processing procedures to maximise productivity while determining occupational health and safety procedures required in a new approach to Australian forestry management. The advantage to Leaf of using stumps is a higher pine chemical content in processed feedstock.

Innovative initiative and refinement in processes has led to the use of excavators with scissors to remove tap roots. The process also removes soil, leaving low yielding organic matter in the forest which improves future soil health in the forest. This means lower transportation cost through minimising soil content which further increases yields of each truckload delivered to Apple Tree Creek. An additional benefit is that large stumps can now be halved or quartered in the forest, creating more uniform supply for efficient processing.

Contractors employed in the trials are now designing and procuring the specialist equipment developed during the stump trials for the commercial supply of stumps to Leaf.

Stump trial data and associated analysis estimate available stump supply from surrounding plantations is ample for the requirements at the Apple Tree Creek Plant.

Also critical to Leaf's proprietary process and optimal use of the stumps is the chipping and sizing of the wood chip to ensure correct flow of biomass through the plant's extractor and desolventiser. Since July, the Company has also been optimising the frontend processing of the stumps, which includes the chipper and a new purpose-built screener which has been installed during the period.

Incident at Apple Tree Creek

On 15 November 2021, Leaf requested a trading halt of its securities after experiencing an explosion at its Apple Tree Creek chemical plant ('site' or 'Plant'). On 17 November 2021 the ASX granted the Company voluntary suspension. The explosion occurred at approximately 9.45pm on Friday 12 November 2021 and five personnel were on site at the time.

The explosion resulted in injuries, with one contractor taken to the Bundaberg Hospital with serious facial injuries and burns while another employee was treated with minor injuries.

Workplace Health and Safety officers have been on site investigating the cause of the accident. Leaf is co-operating with WorkSafe Queensland on this investigation and WorkSafe Queensland has since released the site back to Leaf.

The Company's immediate concern following the explosion has been for the well-being of its employees and contractors, and management has been in direct contact with the injured contractor's family. The Company has offered counselling for all employees and contractors with additional care for personnel directly involved in the incident.

The Company's insurers have been notified and assessors have been on site. The Plant will not operate until all investigations are complete, damage is fully assessed, and necessary repairs are undertaken.

The Company will seek to have the voluntary suspension from the ASX to remain in place until the Company is able to advise the market of the likely cause of the explosion; the full extent of the damage; the likely downtime; viability of and timeframes for remediation and repair program; insurance coverage and estimated financial impact due to loss of revenue and/or assets.

The explosion has been a setback to the Company, but management are currently working on plans for the road forward and as quick a return to operations as is possible.

Corporate

During the period, Leaf undertook a \$8,000,000 capital raising to fund capital expansion of production capacity to 8,000tpa as well as financing the purchase of wood pelleting equipment. The capital raising was undertaken at \$0.10 and resulted in the issue of 80,000,000 ordinary shares. The capital raising was strongly supported by a range of institutional and

sophisticated investors across Australia and New Zealand, representing both new and existing shareholders.

Outlook for 2022

Leaf is currently working closely with WorkSafe Queensland to compile all the information needed for them to complete their investigation into the incident that took place at the Apple Tree Creek plant on 12 November 2021. Staff have returned to the factory and are in the process of completing repairs and replacements of damaged machinery. Management is in the process of sourcing new equipment to replace damaged parts and making improvements to the factory.

The Company is working diligently to solidify a defined plan which will outline how it will achieve 16,000 tonne production, as was targeted prior to the incident. Towards the end of the March 2022 quarter, the Company expects to have an established timeframe for the plant recovery and production schedule. Confidence in our emerging recovery plan is increasing with continued support from both customers and suppliers.

Events arising since the end of the reporting period

Since 31 December 2021 the following matters have arisen which may significantly affect the operations of the Group:

- On 31 January 2022 the Company announced a continuation of the suspension of its securities from the Australian Securities Exchanges until 21 March 2022.

Rounding of amounts

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

Auditor's independence declaration

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

Directors' authorisation

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



Ken Richards

Chairman

Maryborough, Queensland, Australia

28 February 2022



Ramon Mountfort

Managing Director

Maryborough, Queensland, Australia

28 February 2022



Auditor's Independence Declaration

To the Directors of Leaf Resources Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Leaf Resources Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



Murray Bragg
Partner – Audit & Assurance

Brisbane, 28 February 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 31 December 2021

	Notes	31-Dec 2021 \$	31-Dec 2020 \$
Revenue	11	150,191	6,035
Interest Income		612	26,622
Government Covid-19 assistance		-	206,693
Research & Development credits		1,396,785	614,690
Plant operational expenses		(1,149,788)	(814,652)
Depreciation and amortisation		(355,245)	(97,058)
Employee and consultant expenses		(1,907,205)	(721,127)
Other expenses		(505,955)	(30,148)
Finance costs		(283,233)	(62,812)
Share based payments	18	(109,731)	(298,301)
Reverse acquisition expense	6	-	(7,515,114)
Loss on Write-Off of Fixed Assets	8	(1,621,929)	-
Foreign currency losses		(5,714)	(24,931)
Loss before income tax		(4,391,212)	(8,710,103)
Income tax benefit		-	-
Loss for the period		(4,391,212)	(8,710,103)
Other comprehensive income		-	-
Total comprehensive loss for the period attributable to equity holders of the Company		(4,391,212)	(8,710,103)
Earnings Per Share from Continuing Operations			
Basic loss per share (cents)	9	(0.28)	(0.84)
Diluted loss per share (cents)	9	(0.28)	(0.84)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		31-Dec 2021 \$	30-Jun 2021 \$
Current Assets			
Cash and cash equivalents		3,863,849	742,600
Trade and other receivables	12	1,580,643	2,845,826
Inventories		121,822	111,587
Other current assets	13	139,700	91,943
Total Current Assets		5,706,014	3,791,956
Non-Current Assets			
Property, plant and equipment	8	6,475,157	7,128,045
Other non-current assets	13	132,035	121,167
Total Non-Current Assets		6,607,192	7,249,212
Total Assets		12,313,206	11,041,168
Current Liabilities			
Trade and other payables		484,217	1,157,643
Borrowings	14	725,507	2,259,345
Lease Liability	15	192,556	171,326
Provisions	16	188,687	174,319
Total Current Liabilities		1,590,967	3,762,633
Non-Current Liabilities			
Borrowings	14	940,374	1,284,567
Lease Liability	15	1,718,208	1,466,463
Provisions	16	16,593	10,137
Total Non-Current Liabilities		2,675,175	2,761,166
Total Liabilities		4,266,142	6,523,799
Net Assets		8,047,064	4,517,368
Equity			
Issued capital	17	23,146,672	15,335,496
Reserves	18	645,850	536,119
Accumulated losses		(15,745,458)	(11,354,247)
Total Equity		8,047,064	4,517,368

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2021

	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	-	(8,710,103)	-	(8,710,103)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	(8,710,103)	-	(8,710,103)
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	(10,990,213)	365,911	4,679,527
Balance at 1 July 2021	15,335,496	(11,354,246)	536,119	4,517,369
Loss for the period	-	(4,391,212)	-	(4,391,212)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	(4,391,212)	-	(4,391,212)
Shares issued	8,000,000	-	-	8,000,000
Share issue transaction costs	(480,000)	-	-	(480,000)
Shares issued - exercise of options	291,176	-	-	291,176
Share based payments – options & rights	-	-	109,731	109,731
Total transactions with owners	7,811,176	-	109,731	7,920,907
Balance at 31 December 2021	23,146,672	(15,745,458)	645,850	8,047,064

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 December 2021

	31-Dec 2021 \$	31-Dec 2020 \$
Net cash flows from operating activities		
Receipts from customers	110,420	340
Government Covid-19 assistance	-	209,693
Payments to suppliers & employees	(4,126,325)	(1,734,577)
Interest received	388	321
Interest Paid	(311,131)	(61,569)
R&D tax incentive refund	2,771,632	637,216
Net cash used in operating activities	(1,555,016)	(948,576)
Cash flows from investing activities		
Payment for plant & equipment	(960,189)	(1,511,955)
Cash acquired on completion of transaction	-	50,887
Net cash provided by investing activities	(960,189)	(1,461,068)
Cash flows from financing activities		
Proceeds from issue of shares	8,291,176	4,180,000
Share issue transaction costs	(480,000)	(300,480)
Repayment of principle portion of borrowings	(2,077,884)	(533,282)
Payment of principal portion of lease payments	(91,124)	(96,775)
Net cash provided by (used in) financing activities	5,642,168	3,249,463
Net increase in cash and cash equivalents	3,126,963	839,819
Foreign exchange losses	(5,714)	(24,931)
Cash and cash equivalents at the beginning of the period	742,600	1,390,260
Cash and cash equivalents at the end of the period	3,863,849	2,205,148

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of operations

The principle activities of Leaf Resources Limited and its Subsidiaries ('the Group') are the commercialisation of the natural pine chemical extraction process and its proprietary Glycell™ process.

2. General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 31 December 2021 and are presented in Australian Dollars (\$AUD), which is the functional and presentational currency of the Parent Company. These general purpose interim financial reports have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2021 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding reporting period.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 28 February 2022.

3. Going Concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

For the period ending 31 December 2021, the Group has incurred a loss before income tax of \$4,391,212 (Dec 2020: \$8,710,103) and had negative cash flows from operating activities of \$1,555,016 (Dec 2020: \$948,576). These conditions, combined with the impact of the Apple Tree Creek Operating Plant incident described below, indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern, and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business.

On 12 November 2021, an explosion occurred at the Group's Apple Tree Creek Pine Chemical Plant. The incident resulted in significant damage to plant and equipment, and injuries with one contractor taken to the Bundaberg Hospital with serious facial injuries and burns while another employee was treated with minor injuries.

As noted in Note 8, \$1,621,929 of fixed assets were written off as a result of the explosion. The Group is currently working with its insurance providers to claim for repairs and replacements of damaged machinery and equipment as a result of the incident at the Apple Tree Creek plant. The Group is also working on planning for the rebuild, and as such the sum of claims can only be reliably estimated once planning has been completed.

As a result of the incident at the Apple Tree Creek plant, the Company understand that WorkSafe Queensland may raise a penalty as is standard in similar scenarios. Confirmation on the timing and extent of the penalty have not yet been provided. The Group has insurance coverage under its management liability policy in relation to penalties and fines.

The explosion has been a setback to the Company, but management are currently working on plans for the road forward and as quick a return to operations as is possible.

As at 31 December 2021, the Group has positive net current assets of \$4,115,047 (Jun 2021: \$29,323) and positive total net assets of \$8,047,064 (Jun 2021: \$4,517,368). The Group also have available alternatives to support cash flow including funding against R&D tax incentives, and capital raising. Other mitigating factors include the insurance recoveries that will support the reinstatement of the plant, and the potential for additional R&D tax incentives to be claimed for activities relating to the second half of the financial year.

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

4. New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current period. This has not had a significant impact on the half-year report.

5. Estimates

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

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2021.

6. Change in composition of the Group

Leaf Resources Ltd (the "Company") completed the acquisition of 100% of the ordinary shares of Essential Queensland Pty Ltd (Essential Queensland) (the "Transaction") on 22 December 2020 during the previous reporting period. The Transaction has many of the features of a reverse acquisition under Australian Accounting Standards AASB 3 "Business Combinations", notwithstanding the Company being the legal parent of the Group.

As per AASB 3 the Group applied the provisional basis for accounting in the prior period. The reverse acquisition expense of \$7,515,114 was provisionally calculated, with no separately identifiable intangible asset recognised for in process R&D as the Group had not had sufficient time to obtain an independent valuation.

The Group has finalised the accounting for the transaction in the current period and no adjustments have been made to the provisional amounts. The Glycell technology acquired is not currently utilised in the Group's current production and research & development activities, therefore no value has been assigned to an in-process R&D intangible asset.

7. Segment information

Description of segments

The Group has one operating segment: commercialisation of technology & development. Management has determined the operating segment based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The operating segment undertakes research, development and commercialisation of specific technologies (R&D).

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

8. Property, plant and equipment

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

	Plant & Equipment	Motor Vehicles	Leasehold Improvements	Property Leases – Right of use	Total
	\$	\$	\$	\$	\$
Cost	6,421,651	77,232	-	1,279,221	7,778,104
Accumulated depreciation	(358,884)	(46,583)	-	(244,591)	(650,059)
Closing balance at 30 June 2021	6,062,767	30,649	-	1,034,629	7,128,045
Cost	5,633,876	77,232	74,929	1,643,319	7,429,356
Accumulated depreciation	(603,885)	(54,234)	(1,301)	(294,779)	(954,199)
Closing balance at 31 December 2021	5,029,991	22,998	73,628	1,348,540	6,475,157

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

	Plant & Equipment	Motor Vehicles	Leasehold Improvements	Property Leases – Right of use	Total
	\$	\$	\$	\$	\$
Opening written down value 1 July 2020	1,394,069	45,950	-	1,058,067	2,498,086
Additions	5,322,228	-	-	52,476	5,374,704
Additions as part of the transaction with Essential Queensland	10,455	-	-	-	10,455
Disposals	(413,738)	-	-	-	(413,738)
Depreciation	(250,247)	(15,301)	-	(75,914)	(341,462)
Closing written down value at 30 June 2021	6,062,767	30,649	-	1,034,629	7,128,045
Opening written down value 1 July 2021	6,062,767	30,649	-	1,034,629	7,128,045
Additions	885,259	-	74,929	364,099	1,324,287
Impairment/Disposals	(1,621,929)	-	-	-	(1,621,929)
Depreciation	(296,106)	(7,651)	(1,301)	(50,188)	(355,246)
Closing written down value at 31 December 2021	5,029,991	22,998	73,628	1,348,540	6,475,157

During the period, the Group entered into a new lease agreement for a corporate office at Landsborough QLD. Refer to Note 15 for details.

As a result of the incident at the Apple Tree Creek Plant, an impairment has been accounted for to the value of \$1,621,929. The assets that were written-off include an extractor, automation equipment and electrical equipment. The Company has made an insurance claim in relation to the impacted assets.

9. Earnings per share

Reconciliation of earnings used in calculating earnings per share	31 Dec 2021 \$	31 Dec 2020 \$
Loss attributable to the parent entity used in the calculation of basic and dilutive EPS	(4,391,212)	(8,710,103)
Loss attributable to the parent entity	(4,391,212)	(8,710,103)
Weighted average number of ordinary shares	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,565,572,037	1,030,876,001
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per shares	1,565,572,037	1,030,876,001
Loss per share and Diluted loss per share (cents)	(0.28)	(0.84)

10. Calculation of dilutive EPS

As at 31 December 2021 there are 68,879,170 (31 December 2020: 78,058,526) unlisted options and performance rights on issue which were not included in the calculation of diluted earnings per share due to being anti-dilutive.

All equity instruments described could potentially dilute basic earnings per share in the future.

11. Revenue

The disaggregation of revenue from contracts with customers is as follows:

	Unloading of Logs \$	Wood Chip \$	Terpenes \$	Total \$
31 Dec 2020				
Timing of revenue recognition				
Goods transferred at a point in time	6,035	-	-	6,035
Total Revenue	6,035	-	-	6,035
	Unloading of Logs \$	Wood Chip \$	Terpenes \$	Total \$
31 Dec 2021				
Timing of revenue recognition				
Goods transferred at a point in time	-	132,213	17,978	150,191
Total Revenue	-	132,213	17,978	150,191

12. Trade and other receivables

	31-Dec-21	30-Jun-21
	\$	\$
Trade receivables	74,971	35,200
R&D tax incentive receivables	1,323,792	2,698,639
GST receivable	181,880	111,987
Net trade receivables	1,580,643	2,845,826

The R&D tax incentive will be receivable once the Company lodges the Income tax return in July 2022.

13. Other assets

	31-Dec-21	30-Jun-21
	\$	\$
Current:		
Prepayments	138,020	90,263
Deposits	1,680	1,680
Total current other assets	139,700	91,943
Non-Current:		
Deposits	132,035	121,167
Total non-current other assets	132,035	121,167

14. Borrowings

Borrowings for the current period consist of the following:

	Premium Funding \$	R&D Funding \$	Third Party Loans \$	Total \$
At 1 July 2021	73,687	1,300,118	2,170,107	3,543,912
Addition	199,853	-	-	199,853
Interest Expense	6,616	132,491	131,681	270,788
Payments	(189,045)	(1,432,609)	(727,018)	(2,348,672)
Closing Balance	91,111	-	1,574,770	1,665,881
Current	91,111	-	634,396	725,507
Non-Current	-	-	940,374	940,374
Closing Balance	91,111	-	1,574,770	1,665,881

15. Lease Liabilities

The Company acts as a lessee and has lease contracts on operational sites, motor vehicles and plant and equipment used in its operations: Lease terms consist of:

- Operational site – Isis Central 17 years
- Corporate office – Maryborough 3 years
- Corporate office – Landsborough 5 years
- Motor Vehicles 3 years
- Plant & equipment 1-5 years

The operational site lease includes an option in favour of the Company for an additional 10 years, and the corporate offices include options for an additional 3 and 5 years respectively. The lease liabilities included below for the operational site and the Maryborough corporate office, have been based on the fixed lease period and do not include the potential option period. For the Landsborough lease, the fixed lease period with an additional 5-year extension has been included. This is based on management's best estimate on whether the options are likely to be exercised.

The Company's obligations under its leases are secured by the lessor's title to the leased assets. Set out below are the carrying amounts of lease liabilities and the movements during the period:

	31-Dec-21	30-Jun-21
	\$	\$
Beginning of the period	1,637,789	1,650,040
Addition	364,099	439,510
Interest Expense	54,681	109,050
Payments	(145,805)	(560,811)
Closing Balance	1,910,764	1,637,789
Current	192,556	171,326
Non-Current	1,718,208	1,466,463
Closing Balance	1,910,764	1,637,789

16. Provisions

The liabilities recognised for provisions consist of the following amounts:

	31 Dec 2021	30 June 2021
Current	\$	\$
Employee leave entitlements ^(a)	138,687	124,319
Mining rehabilitation provisions ^(b)	50,000	50,000
Total current provisions	188,687	174,319
Non-Current		
Employee leave entitlements ^(c)	16,593	10,137
Total non-current provisions	16,593	10,137
Total provisions	205,280	184,456

^(a) These liabilities represent the Group's obligations to its current employees that are expected to be settled within the 12 months after reporting date.

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

^(c) These liabilities represent the Group's obligations to its current employees in relation to long service leave that are expected to be settled greater than 12 months after reporting date.

17. Issued capital

Fully paid ordinary shares

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

	31 Dec 2021 Number	31 Dec 2021 \$	30 June 2021 Number	30 June 2021 \$
Movements in ordinary share capital				
Balance at beginning of financial year	1,492,407,082	15,335,496	354,099,144	4,903,322
Shares issued (a)	80,000,000	8,000,000	-	-
Options exercised (b)	9,705,861	291,176	-	-
Shares issued (c)	-	-	-	1,180,000
Share consolidation 20:17(d)(i)	-	-	(52,287,828)	-
Shares issued (d)(ii)	-	-	1,017,258,033	6,036,220
Shares issued (d)(iii)	-	-	11,754,400	235,088
Shares issued (d)(iv)	-	-	150,000,000	3,000,000
Shares issued (d)(v)	-	-	10,000,000	200,000
Shares issued (d)(vi)	-	-	1,583,333	31,667
Share issue costs	-	(480,000)	-	(250,801)
Total contributed equity	1,582,112,943	23,146,672	1,492,407,082	15,335,496

Notes for the above table, relating to the half year ended 31 December 2021, are:

- (a) On 23 July 2021, Leaf successfully completed a placement raising \$8,000,000 through the issue of 80,000,000 ordinary shares.
- (b) On 1 November 2021, Director Ken Richards exercised 9,075,861 options with an exercise price of \$0.03 per option.

Notes for the above table, relating to the year ended 30 June 2021, are:

- (c) On 31 July 2020, Essential Queensland successfully completed a placement raising \$1,180,000 through the issue of 1,787,879 ordinary shares.
- (d) On 22 December 2020, the Company successfully completed the transaction with Essential Queensland. The transaction included the following share issues:
 - (i) Following completion of the transaction the shares in Leaf Resources were consolidated at a ratio of 17 for every 20 held.
 - (ii) The issue of 1,017,258,033 ordinary shares with a value of \$6,036,220 to acquire the Leaf Resources group as per the reverse acquisition treatment.
 - (iii) Following shareholder approval at the Company's EGM held on 27 November 2020 the issue of 11,754,400 ordinary shares in lieu of fees totaling \$235,088 owing to officers of the Company as at 30 June 2020.
 - (iv) Following the successful capital raising attached to the transaction the issue of 150,000,000 ordinary shares raising \$3,000,000 before transaction costs.
 - (v) The issue of 10,000,000 ordinary shares to Tegis Pty Ltd who acted as corporate advisor to the transaction.
 - (vi) The issue of 1,583,333 ordinary shares to Sequoia Corporate Finance Pty Ltd who acted as corporate advisor to the transaction.

18. Share based payments

	31 Dec 2021 \$	30 Jun 2021 \$
Share based payments reserve		
Movements:		
Balance at beginning of the financial year	536,119	67,610
Cost of share-based payment	109,731	357,611
Share based payment capitalised transaction costs – Altor loan facility	-	110,898
Balance at the end of the reporting period	645,850	536,119

For the performance rights granted in the current period, the valuation model inputs used to determine the fair value at grant date are as follow:

	Executive Rights
Exercise Price	Nil
Expiry Date	30-Sep-22
Risk-free rate	0.25%
Volatility	70%
Value per option	\$0.08
Number of options/rights	2,000,000
Total value of options/rights	\$160,000
Amount expensed in prior years	-
Amount expensed in current period	\$53,723
Amount to be expensed in future periods	\$106,277

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

19. Contingent assets, commitments, and contingent liabilities

Contingent Assets

Insurance Claim

The Group is currently working with its insurance providers to claim for repairs and replacements of damaged machinery and equipment as a result of the incident at the Apple Tree Creek plant. The Group is also working on planning for the rebuild, and as such the sum of claims can only be reliably estimated once planning has been completed.

Contingent Liabilities

WorkSafe Queensland Penalty

As a result of the incident at the Apple Tree Creek plant, the Company understands that WorkSafe Queensland may raise a penalty as is standard in similar scenarios. Confirmation on the timing and extent of the penalty have not yet been provided. The Group has insurance coverage under its management liability in relation to penalties and fines.

Wood Supply Contract

The company has entered into a wood supply agreement with HQ plantations. Under the terms of the agreement the Company has the following contingent liabilities at 31 December 2021:

Bank Guarantee:

The Company has provided a bank guarantee in the amount of \$100,000 in favour of HQ plantations as a cover of account for the payment of invoices under the supply agreement.

Take or Pay Provisions:

There are certain take or pay provisions under the wood supply agreement. The Company has a strong working relationship with HQ Plantations, as a result of the incident at the Plant in November 2021, the contract is now operating under force majeure.

20. Events subsequent to balance date

Since 31 December 2021 the following matter has arisen which may significantly affect the operations of the Group:

- On 31 January 2022 the Company announced a continuation of the suspension of its securities from the Australian Securities Exchanges until 21 March 2022.

DIRECTORS' DECLARATION

In the opinion of the directors of Leaf Resources Limited:

- (a) the consolidated financial statements and notes of Leaf Resources Limited for the half year ended 31 December 2021 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that Leaf Resources Limited will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the half-year ended 31 December 2021.

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



Ken Richards

Chairman

Maryborough, Queensland, Australia

28 February 2022

Independent Auditor's Review Report

To the Members of Leaf Resources Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Leaf Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 3 in the financial report, which indicates that the Group incurred a loss for the period of \$4,391,212 (31 Dec 2020: loss of \$8,710,103) and negative operating cash flows of \$1,555,016 during the half-year ended 31 December 2021 (31 Dec 2020: negative operating cash flows of \$948,576). As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3 including the incident at the Apple Tree Creek Operating Plant, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



Murray Bragg
Partner – Audit & Assurance

Brisbane, 28 February 2022

Corporate Directory

Board of Directors: Ken Richards
Ramon Mountfort
Grant Yeatman
Terence Gray
Doug Rathbone

Company Secretary: Drew Speedy

Managing Director: Ramon Mountfort

Registered Office & Principal Place of Business: 140 Wharf Street
Maryborough, Queensland, Australia 4650

Auditors: Grant Thornton
King George Central
Level 18
145 Ann Street
Brisbane, Queensland, Australia 4000

Stock Exchange: Leaf Resources Limited shares are listed on the Australian Securities Exchange (ASX)

Bankers: Westpac Banking Corporation
260 Queen Street
Brisbane, Queensland, Australia 4000

Share Registry: Link Market Services
Level 21, 10 Eagle St,
Brisbane, QLD, Australia, 4000
Locked Bag A14
South Sydney, NSW, Australia, 1235
Telephone: +61 1300 554 474
Facsimile: +61 (2) 9287 0309

Solicitors: Steinepreis Paganin
Level 4, 50 Market Street
Melbourne, Victoria, Australia 3000

ASX Code: LER

Website: www.leafresources.com.au