



Appendix 4D

HALF-YEAR REPORT

31 December 2022

ABN 18 074 969 056

1. Reporting Period and previous corresponding period.

Reporting period:	Half-year ended 31 December 2022
Previous reporting period:	Half-year ended 31 December 2021

2. Results for announcement to the market.

Key Information

				\$'000
Revenue from ordinary activities	Down	89%	to	16
(Loss) from ordinary activities after tax attributable to members	Down	19%	to	(5,243)
(Loss) for the period attributable to members	Down	19%	to	(5,243)

The Group's operating loss after tax for the half-year ended 31 December 2022 amounted to \$5,243,276 (31 December 2021 – loss of \$4,391,212).

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, Leaf Resources ('the Company' or "Leaf") completed the dismantling of the plant acquired in the previous period. Due to adverse weather the shipment of the dismantled equipment to the Apple Tree Creek plant was delayed. The Company used the time to assess opportunities, and in November 2022 the Board approved to rebuild the factory in Rotorua New Zealand, citing substantial advantages for the relocation. Leaf has executed a memorandum of understanding to lease a site in Rotorua and are currently working with the landowners on the Agreement to Lease. The dismantled equipment has since been transported to the new site.

Property, plant and equipment with a book value of \$2,144,999 were impaired as a result of the decision to move the factory to New Zealand on the basis that no future economic benefits are expected from its use or disposal.

At 31 December 2022, the Company is expecting to receive insurance recoveries of \$400,000. Management is also working with claims preparation experts in order to obtain recoveries in excess of the \$400,000.

3. Net Tangible Assets.

	Current Year	Previous Year
Net tangible asset backing per ordinary share	0.46 cents	0.51 cents

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

Control gained over entities

During the period, BioResources Limited was formed in New Zealand. The subsidiary company will act as the corporate vehicle for the Rotorua pine chemicals and wood pelleting factory. BioResources Limited had no trading for the period ending 31 December 2022.

Control lost over entities

N/A

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

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 2022 %	31 Dec 2021 %
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
BioResources Limited	Natural pine chemicals extraction and wood pelleting	New Zealand	Ord	100	0
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	100

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 a material uncertainty relating to going concern and refers to the disclosures in Note 3 of the interim financial report.

10. Commentary on the results for the period.

Refer to the commentary included in the attached 31 December 2022 Financial Report.

Date: 28 February 2023
By order of the Board
Drew Speedy
Company Secretary



LEAF
RESOURCES

Appendix 4D
Interim Financial
Report



For the half-year ended
31 December 2022

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 2022.

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 Mountfort	Managing Director – Appointed 22 December 2020
Grant Yeatman	Executive Director – Appointed 22 December 2020 - Resigned 21 July 2022
Terence Gray	Non-Executive Director – Appointed 22 December 2020 - Resigned 29 November 2022 Chair of the audit committee – Appointed 28 January 2021 - Resigned 29 November 2022
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 \$5,243,276 (31 December 2021 loss – \$4,391,212). At 31 December 2022, the Group's net assets totalled \$8,061,383, which included cash assets of \$2,085,327.

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

In May 2022, Leaf Resources acquired key replacement equipment with a capacity to produce up to 16,000tpa of Leaf's natural and renewable pine chemical products. The plant based in New Zealand, was being dismantled, chemically cleaned, water blasted and repainted ready for shipment to Australia.

In October 2022 the Company announced the New Zealand plant had been substantially dismantled, packed into containers and ready for shipping, however, due to adverse weather shipment was delayed until December.

During September and October 2022, Ray Mountfort, Managing Director, spent considerable time in New Zealand reviewing and assessing the dismantling process while also reviewing potential sites for a second plant that had been planned for late FY24.

As a result of the work carried out during this period, he recommended to the board that the Company could instead consider building the first plant at Rotorua in New Zealand and to establish Apple Tree Creek as the second site given the delays that had occurred.

While in a different location, effectively Leaf Resources would execute the same business plan, with the same plant in a well-suited and strategic location.

This plan would have the added benefit of alleviating any potential supply bottlenecks as a New Zealand site would be surrounded by over 6,000 potential suppliers.

In November 2022 Ken Richards, Leaf Resources' Chairman confirmed that the Board of Leaf Resources and its shareholders had approved the decision to build the first plant in New Zealand citing substantial advantages in relocating to Rotorua.

Leaf has executed the memorandum of understanding (MOU) to lease a site in Rotorua, and is currently working with the landowners on an Agreement to Lease.

The equipment Leaf acquired in May 2022, was transported to the new site. Transport costs and time, especially given the vagaries of shipping markets were considerably less than the planned shipment to Queensland.

Commenting on the new site at Rotorua, Managing Director Ray Mountfort stated:

"The decision to site the plant at Rotorua, once the opportunity was assessed and diligence completed, gives tremendous potential to the Company. The location is ideally surrounded by pine plantations, workforce, utilities, access to ports and provides a number of economic benefits."

Incident at Apple Tree Creek

As at the time of this report, WorkSafe Queensland are yet to conclude its investigation into the explosion that occurred on 12 November 2021 at the Apple Tree Creek chemical plant. The Company is continuing to work closely with WorkSafe Queensland to compile all the information needed for them to complete their investigation.

The Company is continuing to seek recoveries through insurance for the damages. During the 2022 financial year, the Company's insurer has made progress payments of \$1.4m. In December 2022, the insurer offered final settlement with a proposed additional \$400,000. Whilst the Company will be receiving the funds, the Company is of the opinion that the assessment is not adequate. The Company is now working with third-party claims preparation experts to ensure the best outcome for final settlement.

Corporate

In July 2022 Leaf Resources raised \$5.1 million through the issue of approximately 170.0 million fully paid ordinary shares in the Company ("Shares") at \$0.03 per Share ("Placement").

For every two shares subscribed for in the Placement, one attaching option was issued with an exercise price of \$0.045 expiring on 31 August 2023 ("Options").

Personnel Updates

Erich Van Zyl has been appointed Chief Financial Officer. Erich joined Leaf resources as its Financial Controller in October 2021. Over the last year, he has been spearheading financial initiatives during a challenging time. He has shown great aptitude and resilience in pursuing insurance claims, R&D grants, and day-to-day accounting. In addition to being a reliable sounding board for strategic business decisions. He took over from Drew Speedy who has continued in his role as Company Secretary.

Outlook for 2023

This last year has been an interesting time in the development of Leaf Resources and its goal of becoming a leading natural and renewable pine chemical company. Whilst the company has been recovering from the setback of events during 2021, the company has opened up a large window to a much better future and much larger development of sustainable pine chemicals and wood pellets.

There are substantial advantages in relocating to Rotorua. In Rotorua, Leaf would be executing the same business plan with the same plant in a well-suited and strategic location that has the potential for greater growth. Australia and Queensland are still in the Company's planning but given immediate benefits New Zealand has moved to the top of the list.

Events arising since the end of the reporting period

Since 31 December 2022 the following matters have arisen which may significantly affect the operations of the Group:

- Leaf Resources signed conditional agreements with two Australian private companies, Formosa Group Australia Pty Ltd and Formosa Technologies Pty Ltd, to invest a total of ~A\$5.35 million into the Company. This strategic investment will be facilitated via the issue of approximately 445.5 million fully paid ordinary shares in the Company ("Shares") at an issue price of \$0.012 per Share ("Placement").
- Following settlement of the placement and as announced to ASX 10 January 2023, the Company intends to undertake a pro rata offer of shares and options on the expanded capital base at a ratio of 1 new share and attaching option for every 5 shares held on substantially the same terms as the placement ("Pro Rata Offer").
- Formosa Group Australia Pty Ltd and Formosa Technologies Pty Ltd will each be entitled to appoint a director to the Board of the Company at completion of the Placement. The issue of Shares and Options is subject to shareholder approval.

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
28 February 2023



Ramon Mountfort
Managing Director
28 February 2023

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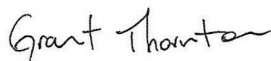
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Auditor's Independence Declaration

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 2022, 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



M C Bragg
Partner – Audit & Assurance

Brisbane, 28 February 2023

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 31 December 2022

	Notes	31-Dec 2022 \$	31-Dec 2021 \$
Revenue			
Revenue from contracts with customer	7	15,792	150,191
Interest Income		4,029	612
Insurance recoveries		403,136	-
R&D tax incentive		-	1,396,785
Expenses			
Plant operational expenses		(263,294)	(1,149,788)
Depreciation and amortisation		(352,543)	(355,245)
Employee and consultant expenses		(1,813,913)	(1,907,205)
Other expenses		(564,212)	(505,955)
Finance costs		(377,069)	(283,233)
Share based payments	12	(54,764)	(109,731)
Loss on write-off of fixed assets	9	(2,144,999)	(1,621,929)
Impairment of right-of-use assets	9	(11,661)	-
Foreign currency losses		(83,778)	(5,714)
Loss before income tax		(5,243,276)	(4,391,212)
Income tax benefit		-	-
Loss for the period		(5,243,276)	(4,391,212)
Other comprehensive income		-	-
Total comprehensive loss for the year		(5,243,276)	(4,391,212)
Earnings Per Share from Continuing Operations			
		Cents	Cents
Basic loss per share	8	(0.29)	(0.28)
Diluted loss per share	8	(0.29)	(0.28)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	31-Dec 2022 \$	30-Jun 2022 \$
Current Assets			
Cash and cash equivalents		2,085,327	745,320
Trade and other receivables		596,146	259,489
R&D tax incentives receivable		-	1,942,832
Inventories		40,078	77,354
Other current assets		203,568	117,734
Total Current Assets		2,925,119	3,142,729
Non-Current Assets			
Property, plant and equipment	9	8,507,914	9,467,301
Other non-current assets		32,035	132,035
Total Non-Current Assets		8,539,949	9,599,336
Total Assets		11,465,068	12,742,065
Current Liabilities			
Trade and other payables		485,477	1,062,577
Borrowings – other loans	10	1,023,331	2,165,808
Derivative liability		-	167,777
Lease liability		144,190	186,970
Provisions		148,650	169,515
Total Current Liabilities		1,801,648	3,752,646
Non-Current Liabilities			
Borrowings	10	-	655,083
Lease Liability		1,575,749	1,626,724
Provisions		26,288	18,898
Total Non-Current Liabilities		1,602,037	2,300,705
Total Liabilities		3,403,685	6,053,351
Net Assets		8,061,383	6,688,714
Equity			
Issued capital	11	29,563,449	23,146,672
Reserves	12	1,127,720	928,552
Accumulated losses		(22,629,786)	(17,386,510)
Total Equity		8,061,383	6,688,714

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2022

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Total Equity
	\$	\$	\$	\$
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	-	-	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
Balance at 1 July 2022	23,146,672	(17,386,510)	928,552	6,688,714
Loss for the period	-	(5,423,276)	-	(5,423,276)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	(5,423,276)	-	(5,423,276)
Shares issued	5,100,000	-	-	5,100,000
Share issue transaction costs	(361,000)	-	-	(361,000)
Conversion of convertible notes	1,677,777	-	-	1,677,777
Share based payments	-	-	199,168	199,168
Total transactions with owners	6,416,777	-	199,168	6,615,945
Balance at 31 December 2022	29,563,449	(22,629,786)	1,127,720	8,061,383

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 December 2022

	31-Dec 2022 \$	31-Dec 2021 \$
Net cash flows from operating activities		
Receipts from customers	32,792	110,420
Insurance recoveries	3,136	-
Payments to suppliers & employees	(2,758,531)	(4,126,325)
Interest received	4,029	388
Interest Paid	(168,144)	(311,131)
R&D tax incentive refund	1,904,849	2,771,632
Net cash used in operating activities	(981,869)	(1,555,016)
Cash flows from investing activities		
Payment for plant & equipment	(1,957,653)	(960,189)
Receipts on sale of plant & equipment	2,273	-
Net cash provided by investing activities	(1,955,380)	(960,189)
Cash flows from financing activities		
Proceeds from issue of shares	5,100,000	8,291,176
Share issue transaction costs	(361,000)	(480,000)
Proceeds from borrowings	112,691	-
Repayment of principal portion of borrowings	(461,459)	(2,077,884)
Payment of principal portion of lease payments	(99,963)	(91,124)
Net cash provided by (used in) financing activities	4,290,269	5,642,168
Net increase in cash and cash equivalents	1,353,020	3,126,963
Foreign exchange losses	(13,013)	(5,714)
Cash and cash equivalents at the beginning of the period	745,320	742,600
Cash and cash equivalents at the end of the period	2,085,327	3,863,849

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

Leaf Resources Limited is a company limited by shares, incorporated and domiciled in Australia and is a for-profit entity for the purposes of preparing the financial statements.

The half-year financial statements for the consolidated entity, which consists of Leaf Resources Limited and its subsidiaries (together referred to as the Group) for the half-year ended 31 December 2022 were authorised for issue by the Board of Directors on 27 February 2023. The directors have the power to amend and reissue the financial statements.

The half-year financial statements are general purpose financial statements that:

- have been prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB134 *Interim Financial Reporting* and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB)
- include the assets and liabilities of all the subsidiaries of the Company as at 31 December 2022 and the results of the subsidiaries for the half-year then ended. Inter-entity transactions with, or between, subsidiaries are eliminated in full on consolidation
- have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss and investments in equity instruments which have been measured at fair value through other comprehensive income
- are measured and presented in Australian dollars, which is Leaf Resources Limited's functional and presentation currency, with all values rounded to the nearest dollar unless otherwise stated, in accordance with ASIC Legislative Instrument 2016/191.

The half-year financial statements do not include all of the information required for full-year financial statements. Accordingly, these financial statements should be read in conjunction with the consolidated financial statements for the year ended 30 June 2022 and any public announcements made by the Group during the half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Group's accounting policies have been consistently applied to all period present, unless otherwise stated.

Unless otherwise stated, comparative period balances have not been restated.

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 2022, the Group has incurred a loss before income tax of \$5,243,276 (2021: \$4,391,212) and had negative cash flows from operating activities of \$981,869 (2021: \$1,555,016). Prima facie these conditions, combined with the decision to rebuild the operating plant in Rotorua New Zealand, may cast significant doubt on the Group's ability to continue as a going concern.

The Group has signed a conditional share placement agreement with Formosa Group Australia Pty Ltd and Formosa Technologies Pty Ltd to receive \$5.35 million post balance date. The funds are expected to be used to secure the Rotorua site lease, finish obtaining relevant consents and plant design that will allow for the increase in the project size, including adding 300,000 tonne per annum wood pellet production capacity to the project. It will also facilitate the placement of capital for the complete plant to be constructed at Rotorua once earthworks are able to commence.

At 31 December 2022, the Group has positive net current assets of \$1,123,471 and positive total net assets of \$8,061,383. This includes a receivable for \$400,000 in insurance recoveries that will help support the rebuild of the plant. The Company is also working with claims preparation experts to assist in obtaining further claims recoveries (Note 13).

On this basis the Directors believe that the going concern basis of presentation is appropriate.

Notwithstanding this, there continues to be a material uncertainty related to the events described above, including the expectation to raise additional funds required to complete the build of the New Zealand plant.

No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not have the ability to continue as a going concern. If for any reason the Group is unable to continue as a going concern, it would impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in these financial statements.

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 2022.

6. Operating Segment Information

The group has only one operating segment, being the production of wood chemicals, based on the information provided to the chief operating decision makers. Therefore, the results are the same as the consolidated entry and have not been repeated.

7. Revenue

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

	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

	Wood Chip	Terpenes	Total
31 Dec 2022	\$	\$	\$
Timing of revenue recognition			
Goods transferred at a point in time	15,792	-	15,792
Total Revenue	15,792	-	15,792

8. Earnings per share

	31 Dec 2022 \$	31 Dec 2021 \$
Reconciliation of earnings used in calculating earnings per share		
Loss attributable to the owners of Leaf Resources Limited used in the calculation of basic and dilutive EPS	(5,243,276)	(4,391,212)
Loss attributable to the owners of Leaf Resources Limited	(5,243,276)	(4,391,212)
Weighted average number of ordinary shares		
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,781,568,668	1,565,572,037
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per shares	1,781,568,668	1,565,572,037
Loss per share and Diluted loss per share (cents)	(0.29)	(0.28)

Calculation of dilutive EPS

As at 31 December 2022 there are 185,162,155 (31 December 2021: 68,879,170) 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.

9. Non-current assets - 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 \$	Work in progress \$	Total \$
Cost	5,847,661	77,232	78,829	1,643,319	3,120,395	10,767,436
Accumulated depreciation	(880,821)	(61,884)	(5,181)	(352,249)	-	(1,300,135)
Closing balance at 30 June 2022	4,966,840	15,348	73,648	1,291,070	3,120,395	9,467,301
Cost	3,441,684	77,232	78,829	1,590,843	4,587,229	9,775,817
Accumulated depreciation	(820,009)	(69,535)	(9,155)	(369,204)	-	(1,267,903)
Closing balance at 31 December 2022	2,621,675	7,697	69,674	1,221,639	4,587,229	8,507,914

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 \$	Work in progress \$	Total \$
Opening written down value 1 July 2021	6,062,767	30,649	-	1,034,629	-	7,128,045
Additions	1,099,043	-	74,929	364,099	3,120,395	4,662,366
Impairment / Disposals	(1,621,929)	-	-	-	-	(1,621,929)
Depreciation	(573,041)	(15,301)	(5,181)	(107,658)	-	(701,181)
Closing written down value at 30 June 2022	4,966,840	15,348	73,648	1,291,070	3,120,395	9,467,301
Opening written down value 1 July 2022	4,966,840	15,348	73,648	1,291,070	3,120,395	9,467,301
Additions	82,983	-	-	-	1,466,834	1,549,817
Impairment	(2,144,999)	-	-	(11,661)	-	(2,156,660)
Depreciation	(283,150)	(7,651)	(3,974)	(57,769)	-	(352,544)
Closing written down value at 31 December 2022	2,621,675	7,697	69,674	1,221,639	4,587,229	8,507,914

During the period, the decision to relocate and build the operating plant in Rotorua, New Zealand was approved by the Board. This decision has resulted in the following:

- \$2,144,999 assets were impaired on the basis that no future economic benefits are expected from its use or disposal.
- After the Board decision to move the factory to Rotorua, New Zealand on 29 November 2022, the Company has vacated its Maryborough office in an attempt to terminate its lease prior to its maturity date. The right of use asset was tested for impairment under AASB136 and as a result the carrying value of \$11,661 was impaired.

10. Borrowings

Borrowings for the current period consist of the following:

Current liabilities:

	31-Dec 2022	30-June 2022
Consolidated	\$	\$
Bank loan – Altor Pty Ltd	980,791	632,783
Convertible notes	-	1,467,409
Bank loan - other	42,540	65,616
Current borrowings	1,023,331	2,165,808

Non-current liabilities:

	31-Dec 2022	30-Jun 2022
Consolidated	\$	\$
Bank loan – Altor Pty Ltd	-	655,083
Non-current borrowings	-	655,083

On 5 May 2022 the group issued 1,510,000 convertible notes with a face value of the note is \$1 each, for total proceeds of \$1,510,000 and interest rate of 1% per month on the face value. The notes were converted into ordinary shares of the parent entity on 20 July 2022 at a conversion price of \$0.027 per share.

Total transactions costs were \$66,907 for options issued to noteholders, approved by shareholders on 7 September 2022. These were offset against the carrying value of the convertible notes liability and have been fully amortised in the current period.

The bank loan held with Altor Pty Ltd had been classified as a currently liability as Altor Pty Ltd has requested early settlement of the facility. Management is actively working on the timing and settlement of the liability.

11. Equity - 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 2022 Number	31 Dec 2022 \$	30 Jun 2022 Number	30 Jun 2022 \$
Movements in ordinary share capital				
Balance at beginning of financial year	1,582,112,943	23,146,672	1,492,407,082	15,335,496
Shares issued (a)	170,000,000	5,100,000	-	-
Rights exercised (b)	2,000,000	-	-	-
Conversion of notes (c)	55,925,935	1,677,777	-	-
Transaction costs	-	(361,000)	-	(480,000)
Shares issued (d)	-	-	80,000,000	8,000,000
Options exercised (e)	-	-	9,705,861	291,176
Total contributed equity	1,810,038,878	29,563,449	1,582,112,943	23,146,672

Notes for the above table, relating to the half year ended 31 December 2022, are:

- (a) On 20 July 2022, Leaf successfully completed a placement raising \$5,100,000 through the issue of 170,000,000 ordinary shares.
- (b) On 20 July 2022, CFO and Company Secretary Drew Speedy exercised 2,000,000 performance rights with an exercise price of nil per right.
- (c) On 20 July 2022, 55,925,935 convertible notes were converted into ordinary shares at a face value of \$0.027 per note. The face value was at a discount to the share price at conversion date, being \$0.03 per share.

Notes for the above table, relating to the year ended 30 June 2022, are:

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

12. Equity - reserves

	31-Dec 2022 \$	30-Jun 2022 \$
Share based payments reserve		
Movements:		
Balance at beginning of the period	928,552	536,119
Share based payment expense	54,764	268,633
Share based payment capitalised transaction costs	144,404	123,800
Balance at the end of the financial year	1,566,320	928,552

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

	Share Options
Exercise price	0.045
Grant date	07-Sep-2022
Expiry date	31-Aug-2023
Risk-free rate	2.86%
Volatility	75.00%
Value per option	\$0.00516
Number of options	27,962,985
Total value of options	\$144,404
Amount expensed in current period	\$144,404
Amount to be expensed in future periods	\$0

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.

13. Contingent assets, commitments, and contingent liabilities

Contingent Assets

Insurance Claim

During February 2022, the insurance underwriter confirmed indemnity over the property claim in connection with assets damaged in the Apple Tree Creek incident. Insurance proceeds of \$1,400,000 have been received to date and the Group has recognised a receivable of \$400,000 in the current period for additional proceeds that are virtually certain based on current settlement offers.

The Group is currently working with third-party claims preparation experts to assess and contest the insurer's assessment of its claim for repairs and replacement of damaged machinery and equipment. The Group believes that insurance proceeds above the \$400,000 recognised as a receivable at period end, are probable.

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.

Public Liability Claim

The contractor that was injured during the explosion at the Apple Tree Creek plant on 12 November 2021 has lodged a liability claim against the Company for medical costs incurred as a result of injury. The claim is currently administrated on behalf of the Group by the Group's public liability insurer. The Group has insurance cover which is expected to cover any potential claim in full.

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 2022:

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.

14. Events subsequent to balance date

Since 31 December 2022 the following matter has arisen which may significantly affect the operations of the Group:

- Leaf Resources signed conditional agreements with two Australian private companies, Formosa Group Australia Pty Ltd and Formosa Technologies Pty Ltd, to invest a total of ~A\$5.35 million into the Company. This strategic investment will be facilitated via the issue of approximately 445.5 million fully paid ordinary shares in the Company ("Shares") at an issue price of \$0.012 per Share ("Placement").
- Following settlement of the placement and as announced to ASX 10 January 2023, the Company intends to undertake a pro rata offer of shares and options on the expanded capital base at a ratio of 1 new share and attaching option for every 5 shares held on substantially the same terms as the placement ("Pro Rata Offer").
- Formosa Group Australia Pty Ltd and Formosa Technologies Pty Ltd will each be entitled to appoint a director to the Board of the Company at completion of the Placement. The issue of Shares and Options is subject to shareholder approval.

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 2022 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2022 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 2022.

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
28 February 2023

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Independent Auditor's Review Report

To the Members of Leaf Resources Limited

Report on 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 2022, 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 2022 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 Group 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.

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Material uncertainty related to going concern

We draw attention to Note 3 in the half-year financial report, which indicates that the Group incurred a loss of \$5,243,276 and negative operating cash flows of \$981,869 during the half-year ended 31 December 2022. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, 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.

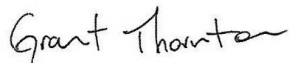
Directors' responsibility for the half-year financial report

The Directors of the Group 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 2022 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



M C Bragg
Partner – Audit & Assurance

Brisbane, 28 February 2023

Corporate Directory

Board of Directors: Ken Richards
Ramon Mountfort
Doug Rathbone

Company Secretary: Drew Speedy

Managing Director: Ramon Mountfort

Registered Office & Principal Place of Business: Unit 10/12 Kelly Ct,
Landsborough QLD 4550

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