LEAF RESOURCES LIMITED

Sustainable products from plant biomass

Appendix 4E – Preliminary Final Report

30 June 2014

ABN 18 074 969 056

Appendix 4E – Preliminary Final Report

Leaf Resources Limited (formerly Leaf Energy Ltd)

ABN 18 074 969 056

Reporting period:	Year Ended 30 June 2014
Previous reporting period:	Year Ended 30 June 2013

Results for announcement to the market

Key Information

				$'000
Revenue from ordinary activities	Down	100%	to	-
Profit (Loss) from ordinary activities after tax attributable to members	Up	326%	to	(1,528)
Profit (Loss) for the period attributable to members	Up	326%	to	(1,528)

The Group's operating loss after the R&D income tax refund for the year ended 30 June 2014 amounted to $1,528,383 (30 June 2013 – $358,611).

Additional Appendix 4E disclosures can be found in the Director's report, the Review of Operations and the 30 June 2014 financial statements and accompanying notes. This Appendix 4E is based on financial statements which have been audited. The audit report is included within the annual report which accompanies this Appendix 4E.

Dividends

Since the end of the previous financial year no dividends have been paid or declared by the Group, and the directors of the Group recommend that no dividend be provided for the year ended 30 June 2014.

Net Tangible Assets

Net tangible asset backing per ordinary share	0.11 cents	1.4 cents

LEAF RESOURCES LIMITED

Sustainable products from plant biomass

ANNUAL REPORT

30 June 2014

ABN 18 074 969 056

LEAF RESOURCES LIMITED (formally Leaf Energy Ltd)

Consensus Greentech Award Win

Leaf Resources Limited (formerly Leaf Energy Ltd) recently received the Judges' Award at the prestigious Consensus Greentech Awards for its GlycellTM process.

The citation that accompanied the award stated; "Leaf Resources (formerly Leaf Energy) has demonstrated innovation and entrepreneurship through the use of industrial ecology principles. The process involves the reuse of waste agricultural products to create feedstock for other industries. The patented innovation includes lower energy usage and lower operating and capital costs. The Panel was particularly impressed by the vision and potential, especially for a small organisation. We congratulate Ken and his team on their award."

Image: Leaf Resources (formerly Leaf Energy) managing director Ken Richards accepting the award from Senator Simon Birmingham, Parliamentary Secretary to the Minister for the Environment in June 2014.

Image: Leaf Resources (formerly Leaf Energy) operations team From left: Melissa Steine-Heatley, Alex Baker, Les Edye, Samantha Madden, Ken Richards and Charles Furness.

Contents

Corporate directory

Board of Directors:	Dr Jay Hetzel Ken Richards Charles Wilson Matthew Morgan
Company Secretary:	Charles Furness
Managing Director:	Ken Richards
Registered Office & Principal Place of Business:	88 Brandl Street Eight Mile Plains, Queensland, Australia 4113 Telephone: +61 (7) 3188 9040 Facsimile: +61 (7) 3188 9087
Auditors:	Grant Thornton King George Central Level 18 145 Ann Street Brisbane, Queensland, Australia 4000
Stock Exchange:	Leaf Resources Ltd shares are listed on the Australian Securities Exchange (ASX)
Bankers:	National Australia Bank Brisbane City Business Bankers Level 22, 100 Creek Street Brisbane, Queensland, Australia 4000
Share Registry:	Security Transfer Registrars Pty Ltd 770 Canning Highway PO Box 535 Applecross, Western Australia, Australia 6953 Telephone: +61 (8) 9315 2333 Facsimile: +61 (8) 9315 2233
Solicitors:	Corrs Chambers Westgarth Waterfront Place 1 Eagle Street, Brisbane, Queensland, Australia 4000
ASX Code:	LER
Website:	www.leafresources.com.au

A New Leaf

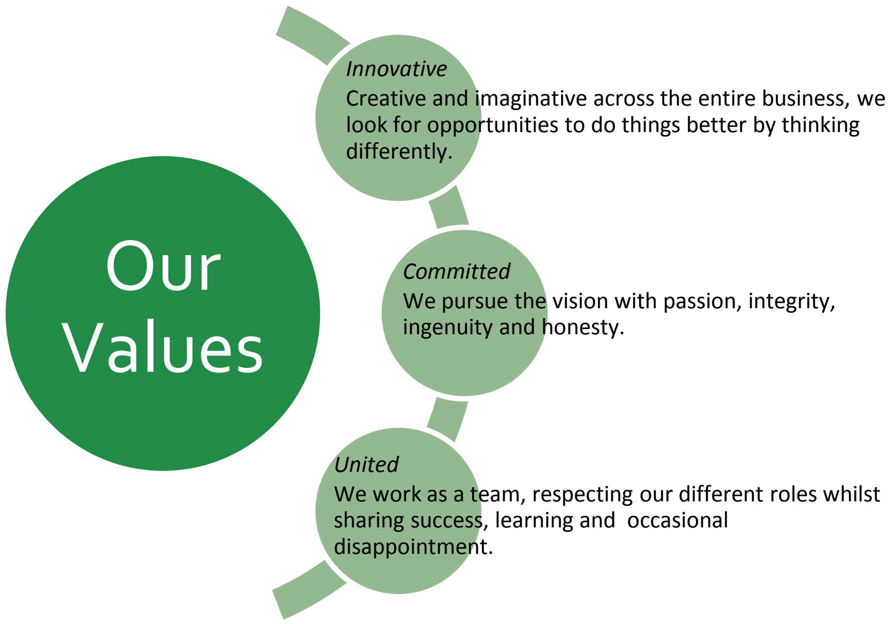
Introducing Leaf Resources Limited (formerly Leaf Energy Ltd)

The directors are pleased to launch the rebranded Leaf Resources Group (formerly Leaf Energy Group) as the company embarks on the next phase of its development and is ready to pursue its commercial objectives on a global scale.

The Company's purpose is "Building a robust business around sustainable products from plant biomass, thereby rewarding our shareholders and benefiting the environment" using our patented proprietary technology.

While the directors believe it was appropriate to retain the word "Leaf" in our name, they believe the word "Energy" needed to be removed due to the implications that the business was involved in the supply of energy products. On the other hand, "Resources" are anything that can be useful and derive benefit by their production. They can be "hard" resources such as minerals or in our case, can be natural resources, more specifically plant biomass. Plant biomass is derived from wood and non-wood plants, such as annual crops, which are all sustainable and renewable. Plant biomass can be converted into many products that are essential to everyday life.

As the world moves forward on reducing carbon emissions and the move to replacing products that come from the black (oil) barrel with those from the green (plant biomass) barrel, the ability to break down these biomass resources into its constituent parts: cellulose, hemicellulose and lignin, becomes very important. Our Glycell™ process is the crucial first step in breaking down the biomass into its useful components. Leaf Resources Limited therefore has a broader and more accurate meaning as the company is converting one resource, plant biomass, to a very broad range of sustainable products, including cellulose and a range of sugars. The shareholders approved the change of the company name at the general meeting held on 28 August 2014 and we take this opportunity, when presenting the annual report to our shareholders, to launch the Company's new branding.



Chairman's Letter

Dear Shareholders

It has been a very busy past 12 months at Leaf Resources (formerly Leaf Energy) and in that time your company has significantly progressed the commercialisation objectives for our proprietary Glycell™ process.

The Glycell™ process is a disruptive technology with the potential to reshape the economics of using large scale renewable biomass as a feedstock for the chemicals, plastics and other downstream industries, all of which are global, billion dollar industries that are growing steadily.

Over the past year, production testing at a pilot scale of tonnes per day has validated the glycerol based pretreatment process and a level 5 scoping study has pointed to a markedly lower cost of processing biomass compared to current technologies. Our process has also been adapted for a range of feedstocks including Eucalyptus hardwood and oil palm waste. We therefore believe that our Glycell™ process has the potential to remove a major barrier to the widespread use of biomass as an alternative to fossil fuels in the manufacturing chain.

In another milestone for the company, we lodged two patent applications for the Glycell™ process in July 2014. At the same time, we announced impressive results for the production of sugars from Glycell™ treated biomass.

These achievements are reported on more fully in the Review of Operations section. However I would like to highlight that individually these are important steps forward and collectively they show the benefits of your company's focused approach to commercialisation.

Our key goals over the next 12 months are to:

1. engage with potential partners, (hence limiting our capital requirements), for the building of the first plant for the production of cellulose from plant biomass and thereby serving as a commercial scale demonstration of the GlycellTM process
2. engage with potential licensees for the sale of licenses to produce cellulosic sugars and to
3. further improve the economic efficiency of the Glycell™ process

Leaf Resources is actively building its business development pipeline of potential partners and licensees. We are scoping the feedstock supply options in Australia and are also in discussions with potential licensees from the USA, where the biomass supply industry is more mature than in Australia.

Around the world, there is significant momentum to move from today's fossil fuel based "black" economy to a more sustainable "green" economy based on renewable biomass. Your company, with its award winning Glycell™ process is well positioned to capitalise on this shift and our dedicated team is working hard to capitalise on the opportunity and achieve successful outcomes for all shareholders.

Dr Jay Hetzel
Chairman

Review of Operations and Activities

Leaf's year of achievements

The past year has been a year of significant achievement for Leaf Resources culminating in the lodgement of provisional patent applications on 10th July 2014. The list of achievements includes:

- Developing the Glycell™ process as a continuous process with a throughput of tons per day;
- Receiving a design and quote from Andritz for a 20 bone dry tonnes (BDT) per hour plant;
- Processing eucalyptus, bagasse (waste sugar cane), spruce at tons per day and empty fruit bunch (waste from palm oil) at laboratory scale;
- Achieving a significant saccharification result;
    - 99% saccharification in 6 hours – bagasse
    - 98% saccharification in 24 hours – eucalyptus
- Finalising a level 5 scoping study confirming the robust commercial nature of the Glycell™ process;
- Winning the Consensus Greentech award;
- Issuing 27M shares and appointing Lodge Partners as our corporate advisor; and
- Lodging provisional patent applications.

We would like to touch on a couple of the more significant points.

Patents

As mentioned above, the year culminated in the finalisation and lodgement of two provisional patent applications for the Glycell™ process covering the conversion of plant biomass into cellulose for cellulose fibre and fermentable sugars. This will enable the Company to apply the patented intellectual property on a global basis (not just within Australia) as the patent applications progress through to granting.

Leaf Resources also received a freedom to operate opinion in June, based on Australian law, from a leading intellectual property law firm, which gives Leaf Resources a clear, unrestricted and unencumbered path for developing the Glycell™ process patent positions.

Outstanding Saccharification results

The year also culminated with Leaf Resources announcing outstanding saccharification outcomes (the process of turning cellulose into clean fermentable sugars) from continuous production trials run in January using the Glycell™ process and industrially available equipment at the Andritz pilot plant facility in Springfield, Ohio.

The ability to produce clean fermentable sugars in commercial quantities has immediate and potentially valuable commercial applications in bio-based chemical markets. The total value of the bio-based chemical market is expected to grow by 20% per year between now and 2017 and exceed $500 billion by 2017. Companies such as Toyota, Dow, Proctor and Gamble, Johnson and Johnson, Coca-Cola, Dulux and DuPont amongst many others are now using green, renewable products sourced from biomass.

The saccharification results were obtained at throughputs of approximately 5 tons (dry) per day i.e. pilot plant scale and highlight the enormous commercial potential of the Glycell™ process.

The high saccharification result and the short saccharification time significantly improve the economics of the Glycell™ process and therefore lower the cost of sugars produced. It is also important to note that the results were achieved with very low degradation products; most being below the limit of detection and those that could be detected classified as low. This is commercially important because many downstream processes that use cellulosic sugars as an input (for example plastic replacement, fibers and polyurethanes) require clean sugars. The Company is now actively pursuing commercial discussions with a number of interested parties.

Feed stock	Saccharification (%)	Hydrolysis Time (hrs)
Bagasse	99.4	6
	100	24
Eucalyptus globulus	80.3	6
	98.1	24

Scoping Study

Leaf Resources released the results of a level 5 scoping study on the Glycell™ process in July 2014 after the culmination of considerable work undertaken during the year.

The scoping study model was based on the underlying chemistry of the process and looks at the mass balance of inputs and outputs in detail, as well as the estimated capital and operational costs of applying the Glycell™ process to the commercial production of cellulose. The scoping study supported the commercial viability of the Glycell™ process as a technology that enables previously uneconomic production of cellulose to be economically viable at significantly smaller scale than current commercial alternatives.

Capital Costs

The base plant and infrastructure capital costs for the scoping study were estimated at A$18.4m, when co-located at a site that can provide the ability to draw on utilities, including steam. The capital cost for the model was based on a quotation for supply of equipment from Andritz Inc., a global leader in the supply of equipment, plant and services for the paper and pulp and other industries.

Given the nature of the scoping study cost estimation, the total capital estimate includes a number of variable engineering costs such as site works, project management and design (engineering, procurement and construction (EPC)), contingency, profit and commissioning, which were estimated at 78% of the base costs. The total capital expenditure after these costs were added was estimated at A$32.8m.

Model Inputs and Outcomes

The scoping study was based on a hardwood feedstock at an input rate of 40 tons per hour (20 tons dry weight) and a cellulose output. The following are the key input assumptions and outcomes for the base case:

- Input cost of $100 BDT of hardwood and $230 per ton of glycerol;
- Estimated production cost of $400 per ton of raw dried cellulose pulp;
- Cellulose price $550 per ton (hardwood pulp price);
- AUD – USD exchange rate of $0.94 ;
- Estimated capital cost of $32.8m; and
- Estimated after tax internal rate of return of 42%.

Glycerol Usage
A key assumption of the model is that the glycerol is consumed as part of the process and therefore the cost of glycerol makes up approximately 33% of the operating cost. Leaf Resources is progressing methodologies to recycle the glycerol and whilst this would add to the capital cost of the process, it would reduce the operating costs significantly.

Leaf Resources is also looking at alternative ways to add value to the liquid output of the process, which includes turning the glycerol into another revenue stream rather than a cost. Work is progressing positively on both of these objectives.

Strategic Directions

Leaf Resources is ready to pursue its commercial objectives on a global scale.

The Company's goals are to:

1. engage with potential partners, (hence limiting our capital requirements), for the building of the first plant for the production of cellulose from plant biomass and thereby serving as a commercial scale demonstration of the GlycellTM process
2. engage with potential licensees for the sale of licenses to produce cellulosic sugars and
3. further improve the economic efficiency of the Glycell™ process.

Potential customers and partners are likely to be companies that control biomass feedstock, are end-users of the products from the Glycell™ process or are looking for green renewable sustainable products. Companies with excess glycerol resulting from their processes, such as biodiesel producers, are also potential partners.

Leaf Resources is actively building its business development pipeline of potential partners and is already in discussions with prospective partners/licensees from the USA, where the biomass industry is far more mature and developed.

Around the world significant steps are being taken to move from today's fossil fuel based 'black' economy to a more sustainable 'green' economy. For example, Coca-Cola is now using biomass-sourced plastic for some of their famous bottles. Companies in the USA are particularly advanced in this field and there is also considerable potential in South East Asia, where there is an abundance of biomass and considerable interest in its sustainable use.

Leaf Resources, with its award winning Glycell™ process, is well positioned to capitalise on this transition towards a global green economy.

The Leaf Resources Team

We are very fortunate at Leaf Resources to have a committed team that has worked extremely hard to achieve this year's outstanding results. To Alex Baker, Samantha Madden, Melissa Steine-Heatley and Charles Furness thank you for your efforts. To Les Edye, welcome to the team.

Directors' report

The Directors of Leaf Resources Limited ('Leaf Resources') present their report together with the financial statements of Leaf Resources Limited ('the Company') and its controlled entities ('the Group') for the year ended year ended 30 June 2014.

Directors' details

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

Dr Jay Hetzel

Chair of the board – Appointed 12 September 2012
Member of the audit committee – Appointed 11 August 2011
Non-executive director – Appointed 1 August 2011

Jay holds a Bachelor in Agricultural Science (Honours) (University of Melbourne) and a Ph.D in Animal Genetics (University of Sydney). He had a distinguished scientific career with CSIRO for over 20 years in the field of animal genetics and genomics. In 1998, he co-founded Genetic Solutions Pty Ltd to commercialise genomics technology in livestock and the company was sold to Pfizer Animal Health in 2008. Jay has served on a number of industry and government advisory groups including the Queensland Biotechnology Advisory Council, Australian Government Gene Technology Technical Advisory Committee and the Life Sciences Queensland Steering Committee. Jay is a Fellow of the Australian Academy of Technological Sciences and Engineering and a Fellow of the Australian Institute of Company Directors.

Other current listed directorships:
None

Previous directorships (last 3 years):
None

Interests in shares and options:
2,683,475 ordinary shares*
750,000 unlisted options
* Excludes 864,857 shares in part payment of directors' fees approved by shareholders on 28 August 2014 and unissued at the date of this report.

Ken Richards

Managing director – Appointed 1 August 2011
Non-executive director – Appointed 31 August 2007

Ken has in excess of 30 years' experience as a Managing Director in various listed and unlisted companies across a range of industries and holds a Bachelor of Commerce and Master of Business Administration degrees (University of Western Australia). He is a fellow of the Australian Institute of Company Directors.

Other current listed directorships:
Crucible Gold Ltd (Appointed 29 June 2007)

Previous directorships (last 3 years):
None

Interests in shares and options:
11,250,000 ordinary shares*
1,500,000 unlisted options
* Excludes 1,428,571 shares in part payment of directors' fees approved by shareholders on 28 August 2014 and unissued at the date of this report.

Charles Wilson

Non-executive director – Appointed 21 May 2007
Member of the audit committee – Appointed 11 August 2010
Chair of the audit committee – Resigned 11 August 2014

Having originally qualified in Civil Engineering (University of New Zealand), Charles has had some 40 years of experience in senior project and construction management roles primarily associated with major building and development projects.
During his career with a major Australian listed construction / development company, he was based in Canberra, Townsville, Darwin, Sydney and since 1974 in Perth, Western Australia.

Other current listed directorships:
None

Previous directorships (last 3 years):
None

Interests in shares and options:
8,57,071 ordinary shares*
375,000 unlisted options
* Excludes 458,571 shares in part payment of directors' fees approved by shareholders on 28 August 2014 and unissued at the date of this report.

Matthew Morgan **Non-executive director – Appointed 21 July 2014**
Chair of the audit committee – Appointed 11 August 2014

Matthew holds a Bachelor of Commerce, a Bachelor of Applied Science, an Master of Business Administration from Brisbane Graduate School of Business at Queensland University of Technology and was the first Australian to be awarded a 2 year Kaufman Fellowship. Matthew has over 10 years of executive management experience in private equity funded portfolio companies and 7 years as a venture capitalist at QIC. He is experienced in capital raisings, mergers and acquisitions. He is the principal of Millers Point Company, an advisory business that provides consulting and advisory services to emerging companies with high growth or turnaround objectives.

Other current listed directorships:
Diversa Ltd (appointed August 2008)
Bluechiip Ltd (appointed February 2014)

Previous directorships (last 3 years):
None

Interests in shares and options:
500,000 ordinary shares*
* Excludes 382,286 shares in part payment of directors' fees and 375,000 incentive share options approved by shareholders on 28 August 2014 and unissued at the date of this report.

Company secretary details

Charles Furness **Company secretary – Appointed 23 April 2014**

Charles is a company secretary and chief financial officer with more than 30 years' experience in senior management positions, including publicly listed companies in the mining, energy and biotechnology sectors. He is currently employed on a part-time basis for a number of public companies listed on the Australian Stock Exchange and AIM in London. Charles holds a Bachelor of Business degree from the Queensland University of Technology. He is a Certified Practising Accountant and a Fellow of the Governance Institute of Australia.

Stephen Denaro **Company secretary – Appointed 31 May 2010, Resigned 23 April 2014**

Stephen has extensive experience in mergers and acquisitions, business valuations, accountancy services, and income tax compliance gained from positions as company secretary and chief financial officer of various public companies, and with major chartered accountancy firms in Australia. He provides company secretarial services for a number of start-up technology companies. Stephen has a Bachelor of Business in Accountancy and is a member of Chartered Accountants Australia and New Zealand and the Australian Institute of Company Directors.

Principal activities

During the year, the principal activities of entities within the Group were:

- The commercial development of the Group's Glycell™ process including:
  - The use of the process to produce cellulose that is suitable for the production of cellulosic sugars;
  - The use of the process to produce cellulose that is suitable for the production of cellulose derivatives;
  - Broadening the range of biomass inputs that the process can utilize; and
  - The development of potential commercial products that can be produced from the glycerol utilised in the Glycell™ process.
- Actively building the business development pipeline of potential partners and licensees.
- Scoping the feedstock supply options in Australia and commenced discussions with potential licensees from the USA, where the biomass industry is more developed than in Australia.
- The management of the Group's intellectual property and patent portfolio.

Review of Operations and Financial Position

Information on the operations of the group and its business strategies and prospects is set out in the review of operations and activities on pages 7-9 of this annual report.

The Group's operating loss after the R&D income tax refund for the year ended 30 June 2014 amounted to $1,528,383 (30 June 2013 – $358,611).

Significant changes in the state of affairs

Significant changes in the state of affairs of the group during the financial year were as follows.

Issued capital increased by $892,272 (from $33,938,584 to $34,830,856) as the result of a rights issue and placements to sophisticated investors as part of the capital raising program. Details of the changes in issued capital are disclosed in note 18 to the financial statements.

The company also issued 3,625,000 employee share options to directors, executives and staff under the company's employee share option plan to incentivise the Leaf Resources team to align their efforts to achieve the creation of shareholder value and growth of the share price.

Events arising since the end of the reporting period

The company has continued its capital raising program to provide funding for the commercialisation of the Glycell™ process and further sophisticated investor placements were issued up to the date of this report.

Leaf Resources has also lodged two provisional patent applications for the Glycell™ process. The applications cover the conversion of plant biomass into cellulose for cellulose fibre and the conversion of plant biomass to cellulose and then hydrolysed to sugars. These patents are wholly owned by Leaf Resources and will enable the company to commercialise the intellectual property on a global basis.

Proceedings on behalf of the company

No person has applied for leave of the court to bring on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

Likely developments

Following the achievements of the last year, Leaf Resources is now ready to pursue the commercialisation of the Glycell™ process on a global scale. The Company's goals for the year ending June 30th 2015 are to:

- engage with potential partners, (hence limiting our capital requirements), for the building of the first plant for the production of cellulose from plant biomass and thereby serving as a commercial scale demonstration of the GlycellTM process
- engage with potential licensees for sale of licenses to produce cellulosic sugars

On a technical front, Leaf Resources will be looking to improve the economic efficiency of the Glycell™ process by:

1. Finalising the glycerol recycling;
2. Extending the range of biomass feed stocks which have been used in the process;
3. Quantifying the economic impact of the saccharification results; and
4. Understanding the potential of adding value to the glycerol stream.

Dividends

Since the end of the previous financial year no dividends have been paid or declared by the Group, and the directors of the Group recommend that no dividend be provided for the year ended 30 June 2014.

Environmental issues

The Group is not aware of any adverse environmental protection issues with any of its operations.

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Board Meetings		**Audit Committee**	
	A	**B**	**A**	**B**
Charles Wilson	3	3	2	2
Ken Richards	3	3	-	-
Jay Hetzel	3	3	2	2

Where: A is the number of meetings the Director was entitled to attend
B is the number of meetings the Director attended

The remuneration and nomination committees were retired during the year ended 30 June 2012: refer to the corporate governance statement for further information.

Remuneration report (audited)

The Directors are pleased to present your Company's 2014 remuneration report which sets out remuneration information for Leaf Resources Limited's key management personnel including non-executive and executive directors and management executives.

The remuneration report is set out under the following main headings:

a. Principles used to determine the nature and amount of remuneration
b. Details of key management personnel remuneration
c. Service agreements
d. Details of share-based remuneration
e. Bonuses included in remuneration
f. Other information

(a) Principles used to determine the nature and amount of remuneration
A distinction is made between the structure of remuneration for non-executive directors and executives.

The objectives of the executive remuneration policy are as follows:

- to motivate executive management to manage and lead the business successfully and to drive strong long-term organisational growth in line with the strategy and business objectives;
- to drive successful organisational performance by incorporating an annual performance incentive and establish longer-term performance objectives;
- to further drive longer-term organisational performance through an equity-based reward structure;
- to make sure that there is transparency and fairness in the executive remuneration policy and practices;
- to deliver a balanced solution addressing all elements of total pay – base pay, incentive pay (cash and shares) and other benefits;
- to make sure appropriate superannuation arrangements are in place for executives; and
- to contribute to appropriate attraction and retention strategies for executives.

The objectives of the non-executive director remuneration policy are as follows:

- to attract and retain appropriately qualified and experienced directors;
- to remunerate directors fairly having regard to their responsibilities, including providing leadership and guidance to management; and
- to build sustainable shareholder value by encouraging a longer-term strategic perspective.

Executive remuneration packages
It is intended that base salaries take into account market relativities, having regard to the need for the Company to attract, motivate and retain executives. The Board decides the remuneration based on recent market conditions and executives direct accountability and responsibility for the operational management, strategic direction and decision-making for the Company and demonstrated leadership. There are no guaranteed base pay increases included in any executives contracts and the payment of bonuses are reviewed by the board for approval against performance criteria.

The remuneration structure that has been adopted by the Group consists of the following components:

- fixed remuneration being annual salary or fees;
- short term incentives being performance based bonuses; and
- medium to long term incentives being employee share option plans.

Remuneration report (audited)

The Company has performance conditions linked to the executive's short term incentives and this involves the use of annual performance objectives, performance appraisals and an emphasis on the contribution to the team and values. The criteria are set annually after consultation with the Directors and executives and are specifically tailored to the areas where each executive has a level of control and focus on where the board believe the greatest potential for expansion and execution of the business strategies lie. Given the stage of development of the company, the key performance indicators focus on non-financial measures and funding measures including strategic goals and technology development.

Non-executive director remuneration

On appointment to the board, all non-executive directors enter into a service agreement with the company. This summarises the board policies and terms, including pre-determined fixed remuneration and superannuation benefits relevant to the office of director. Non-executive directors' fees are reviewed annually by the board. The board surveys comparable remuneration levels in the external market and makes sure that fees and payments paid reflect the demands that are made and the responsibilities of directors. These fees have not been increased since the Leaf Resource Group was formed. No retirement benefits accrue and the company does not pay directors additional fees for chairing board committees.

Shares granted

As a research and development phase company where significant revenues are yet to be generated and cash is restrained, the company seeks to preserve cash reserves through conservative expenditure patterns which may include issuing shares in lieu of fees and salaries.

Voting and comments made at the Company's 2013 Annual General Meeting

The company received 99.87% of "yes" votes on its remuneration report for the 2013 financial year. The company did not receive any specific feedback at the annual general meeting on its remuneration report.

Use of remuneration consultants

The company is committed to rewarding its employees with market competitive salary packages that recognise the characteristics and stage of our business. With the assistance of a recruitment consultant, a survey was recently undertaken of other technology based listed enterprises and the results were used to benchmark the salary packages of key employees. The company did not receive a remuneration recommendation from the remuneration consultant. The company will continue to monitor the market in order to ensure that we reward staff appropriately and thereby retain team members who are so critical to the company's success. The company is planning to engage a remuneration consultant for the year ended 30 June 2015.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four financial years:

	2014	2013	2012	2011	2010
EPS (cents)	(2.45)	(0.72)	(9.19)	(6.17)	6.44
Dividends (cents/share)	-	-	-	-	-
Net profit/(loss) ($)	(1,528,383)	(358,611)	(2,971,343)	(1,688,589)	904,640
Share price ($)	0.05	0.05	0.03	0.12	0.15

Note – in August 2010 the Group acquired the subsidiary Farmacule BioIndustries Pty Ltd (the research and development subsidiary of the Group at the time) and at the same time disposed of its leases and licences on the ponds at Karratha, Western Australia.

Remuneration report (audited)

(b) Details of key management personnel remuneration
Names and positions held of key management personnel during the financial year are:

Key Management Person:	Position:
Jay Hetzel	Chairman
Ken Richards	Managing director
Charles Wilson	Non-executive director
Alex Baker	Chief operating officer (effective from 1 July 2013)

The following table shows details of the remuneration received by the key management personnel of the group for the current and previous financial year.

		Short term employee benefits		Post-employ ment benefits	Termin-ation benefits	Share-based payments			% of Remuneration that is performance based
Name	Year	Cash salary & fees	Cash Bonus	Super-annuation	Termin-ation benefits	Options	Shares	Total	
		$	$	$	$	$	$	$	%
Non-executive directors									
M Bridges[4]	**2014**	-	-	-	-	-	-	-	-
	2013	11,000	-	-	-	-	-	11,000	0%
C Wilson [2]	**2014**	16,055	-	3,010	-	5,955	16,050	41,070	14%
	2013	35,000	-	-	-	-	-	35,000	0%
J Hetzel [1,2]	**2014**	30,275	-	5,675	-	11,910	30,270	78,130	15%
	2013	32,110	-	2,890	-	-	24,800	59,800	0%
Subtotal	**2014**	46,330	-	8,685	-	17,865	46,320	119,200	15%
	2013	78,110	-	2,890	-	-	24,800	105,800	0%
Executives									
K Richards	**2014**	262,183	91,324	30,975	-	9,624	-	394,106	28%
	2013	139,419	-	11,625	-	-	-	151,044	0%
A Baker [3]	**2014**	183,734	13,699	22,347	-	12,128	50,229	282,137	29%
Subtotal	**2014**	445,917	105,023	53,322	-	21,752	50,229	676,243	28%
	2013	139,419	-	11,625	-	-	-	151,044	0%
Totals	**2014**	**492,247**	**105,023**	**62,007**	**-**	**39,617**	**96,549**	**795,443**	**26%**
	2013	217,529	-	14,515	-	-	24,800	256,844	0%

[1] In 2013 ordinary shares were issued to the new chairman in lieu of the increase in director's fee payments, to preserve the Group's cash reserves. This arrangement was approved by shareholders at the annual general meeting on 22 November 2012.

[2] In 2014, Jay Hetzel and Charles Wilson instigated a freeze on cash payment of their director's fees for the six month period ended 30 June 2014. Prior to year end, they agreed to receive the salary owing to them via a share based payment of ordinary shares. This arrangement was approved by shareholders at a general meeting on 14 July 2014 and the shares have subsequently been issued.

[3] Alex Baker's performance bonus is payable part in cash and part in share based payments and disclosed separately in these columns in the table above. The share based payments of ordinary shares were issued subsequent to year end on 22nd July 2014.

[4] Mr Bridges resigned 12 September 2012.

Remuneration report (audited)

The relative proportions of remuneration that are at risk and those that are fixed are as follows. Note, since the long term incentives are provided exclusively by way of options, the percentages disclosed also reflect the value of remuneration consisting of options, based on the value of options expensed during the year.

Name	Fixed Remuneration	At Risk – short term incentives	At Risk – Long term incentives
Non-executive directors			
C Wilson	86%	-	14%
J Hetzel	85%	-	15%
Executives			
K Richards	72%	25%	3%
A Baker	71%	25%	4%

(c) Service agreements

Remuneration and other terms of employment for the executive director and key management personnel are formalised in a service agreement. The major provisions of the agreements relating to remuneration are set out below:

Name	Base salary including superannuation*	Term of agreement	Notice period	Termination payments**
K Richards	262,200	No fixed term	Six months	Six months
A Baker	200,460	No fixed term	Three months	None

* Base salaries quoted are for the year ended 30 June 2014; they are reviewed annually by the remuneration committee.
** Base salary payable if the company terminates in lieu of notice or for a period less than the notice period.

(d) Details of share-based remuneration

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Vesting dates *	Expiry date	Exercise price	Value **	% Vested
17-Dec-2013	17-Dec-2013	17-Dec-2017	$0.10	$0.016	100%
17-Dec-2013	17-Dec-2014	17-Dec-2017	$0.10	$0.016	0%
	17-Dec-2015	17-Dec-2017	$0.10	$0.016	0%
28-Oct-2013	20-Dec-2014	20-Dec-2016	$0.10	$0.011	0%
20-Dec-2012	20-Dec-2013	20-Dec-2016	$0.10	$0.019	100%
	20-Dec-2014	20-Dec-2016	$0.10	$0.020	0%

* Option grants with multiple vesting dates occurred over two tranches with 50% vesting 12 months from grant date and the balance 24 months from grant date.
** Value per option at grant date.

All options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis under the terms of the agreements. Options granted to the directors and executives are under the employee share option plan. The non-executive director's options have vested immediately and the executive's options will vest subject to continued employment until the end of the arranged vesting period.

Remuneration report (audited)

Upon vesting, each option allows the holder to purchase one ordinary share at $0.10 with the exercise period expiring four years after grant date. The options carry no dividends or voting rights and when exercisable, each option is convertible into one ordinary share. The options were provided at no cost to the recipient. All options expire on the earlier of their expiry date or termination of the individual's employment.

Name	Number granted	Grant date	Value **	Number vested	Number lapsed	Year may vest
C Wilson	375,000	17-Dec-2013*	5,955	375,000	-	na
J Hetzel	750,000	17-Dec-2013*	11,910	750,000	-	na
K Richards	1,500,000	17-Dec-2013*	24,093	-	-	50% 2015 50% 2016
A Baker	700,000 800,000	28-Oct-2013 20-Dec-2012	7,762 15,558	- 400,000	- -	2015 50% 2015

* The options issued to directors of the company were approved by shareholders at the annual general meeting held on 28th November 2013.
** The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount recognised for the year ended 30 June 2014 is included in the remuneration tables above. Fair values at grant date are determined using a The Hull-White option pricing model that takes into account various input assumptions. Details of the inputs are disclosed in Note 22.

(e) Bonuses included in remuneration

For each cash bonus and grant of shares included in the remuneration table, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. The bonuses vest at the end of the grant period, being the end of the financial year and are paid in cash or shares as agreed after the end of the financial year.

Name	Percentage vested in year	Percentage forfeited in year	% in Cash	% in Shares*	Number of shares *
K Richards – performance criteria	50%	50%	100%	-	-
A Baker: - performance criteria - additional criteria **	 75% 100%	 25% -	 50% -	 50% 100%	 391,386 1,043,714

* The share based payments were issued subsequent to year end on 22nd July 2014.
** When reviewing the performance criteria to determine the amount of bonus payable, the Board approved an additional performance measure, which was not originally anticipated.

Remuneration report (audited)

(f) Other information

Options held by key management personnel
The number of options held by each key management personnel or their related entities during the financial year is as follows:

Year ended 30 June 2014	Balance 1.7.2013	Granted as compen-sation	Options exercised	Net change other	Balance 30.6.2014
C Wilson	-	375,000	-	-	375,000
J Hetzel	-	750,000	-	-	750,000
K Richards	-	1,500,000	-	-	1,500,000
A Baker (effective 1July 2013)	800,000	700,000	-	-	1,500,000
	-	2,625,000	-	-	4,125,000

Year ended 30 June 2013	Balance 1.7.2012	Granted as compen-sation	Options exercised	Net change other	Balance 30.6.2013
K Richards	450,000	-	-	(450,000)	-

Year ended 30 June 2014	Balance 30.6.2014	Total vested 30.6.2014	Total exercisable 30.6.2014	Total un-exercisable 30.6.2014
C Wilson	375,000	375,000	375,000	-
J Hetzel	750,000	750,000	750,000	-
K Richards	1,500,000	-	-	1,500,000
A Baker (effective 1July 2013)	1,500,000	400,000	400,000	1,100,000
	4,125,000	1,525,000	1,525,000	2,600,000

Year ended 30 June 2013	Balance 30.6.2013	Total vested 30.6.2013	Total exercisable 30.6.2013	Total un-exercisable 30.6.2013
K Richards	-	-	-	-
Total	-	-	-	-

Remuneration report (audited)

Shares held by key management personnel
The number of ordinary shares in Leaf Resources Limited held by each key management personnel or their related entities during the financial year is as follows:

Year ended 30 June 2014	Balance 1.7.2013	Granted as compen-sation	Rights Issue	Net change other	Balance 30.6.2014
C Wilson	5,408,333	-	2,704,167	-	8,112,500
J Hetzel	1,104,333	-	714,285	-	1,818,618
K Richards	7,500,000	-	3,750,000	-	11,250,000
A Baker (effective 1July 2013)	720,000	-	685,500	-	1,405,500
Total	14,732,666	-	7,853,952-	-	22,586,618

Year ended 30 June 2013	Balance 1.7.2012	Granted as compen-sation	Conversion perf shares	Net change other	Balance 30.6.2013
M Bridges (resigned 12/09/12)	119,619	-	770,000	-	889,619
C Wilson	5,000,000	-	408,333	-	5,408,333
J Hetzel	-	496,000	408,333	-	1,104,333
K Richards	5,400,000	-	2,100,000	-	7,500,000
Total	10,719,619	496,000	3,686,666	-	14,902,285

End of audited remuneration report.

Shares under option

Unissued ordinary shares of Leaf Resources Limited under option at the date of this report are:

Date options granted	Expiry date	Exercise price of shares	Number under option
17 December 2013	17 December 2017	$0.10	2,625,000
28 October 2013	20 December 2016	$0.10	1,000,000
20 December 2012	20 December 2016	$0.10	1,200,000
			4,825,000

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

During or since the end of the financial year, the Company has not issued any ordinary shares as a result of the exercise of options.

Indemnification of officers

During the financial year, Leaf Resources agreed to indemnify each director and secretary of the company and of its subsidiaries against any liability:
(a) to a party other than Leaf Resources or a related body corporate, but only to the extent that the liability arises out of conduct in good faith, and
(b) for legal costs incurred in connection with proceedings in respect of a liability incurred by them.
The amount payable under the agreement is the full amount of the liability. No liability has arisen under these indemnities as at the date of this report.

During the year, Leaf Resources paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all directors, executives, company secretary and officers.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of the insurance policy are not disclosed as such disclosure is prohibited under the terms of the contract.

Non-audit services

During the year, Grant Thornton, the Company's current auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

(a) All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and

(b) The non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below:

	2014 $	2013 $
Audit and review of financial statements		
- Grant Thornton	35,176	35,312
Total audit and review remuneration	35,176	35,312
Taxation compliance services		
- Grant Thornton	10,600	10,950
Total taxation compliance services	10,600	10,950
Total auditor's remuneration	45,776	42,262

The auditor's independence declaration is included following this Directors' Report and forms part of the Directors' Report.

Rounding of amounts

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

Directors' authorisation

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.

Dr Jay Hetzel
Chairman
Brisbane, Queensland, Australia
29 August 2014

Ken Richards
Managing director
Brisbane, Queensland, Australia
29 August 2014

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Auditor's Independence Declaration
To the Directors of Leaf Resources Limited (formerly Leaf Energy Limited)

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Leaf Resources Limited (formerly Leaf Energy Limited) for the year ended 30 June 2014, 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 audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Cameron Smith

CDJ Smith
Partner - Audit & Assurance

Brisbane, 29 August 2014

Corporate governance statement

Leaf Resources Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as the Group in this statement.

A description of the Group's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year. They comply with the ASX Corporate Governance Principles and Recommendations except as described in the statements below.

Comprehensive information about our corporate governance policies can be found on our website at www.leafresources.com.au.

Principle 1: Lay solid foundations for management and oversight

Functions of the Board and Management
The Board of Directors is responsible for the corporate governance of the Group and operates in accordance with the principles set out in its Charter, which is available on our website www.leafresources.com.au. To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of Directors and for the operation of the Board. These responsibilities include:

- Providing strategic direction for, and approving, the Company's business strategies and objectives and monitoring the operational and financial position and performance of the Company;
- Monitoring the principal risks, ensure appropriate internal controls and monitoring systems are in place, and reduce the impact of these risks;
- Appointing and, where appropriate, removing the senior executives and approving other key appointments and planning for succession;
- Overseeing and evaluating the performance of the senior executives having regard to the Company's business strategies and objectives;
- Reviewing and approving remuneration for the senior executives of the Company;
- Approving the Company's budgets and business plans and monitoring the management of the Company's capital, including the progress of any major capital expenditures, acquisitions or divestitures;
- Establishing procedures to ensure that financial results are appropriately and accurately reported on a timely basis in accordance with all legal and regulatory requirements;
- Adopting appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards; and
- Approving, and reviewing from time to time, the Company's internal compliance procedures, including any codes of conduct and taking all reasonable steps to ensure that the business of the Company is conducted in an open and ethical manner.

The responsibility for the operation and administration of the Group is delegated by the Board to the Managing Director (MD) and the executive management team as set out in the Board Charter. The Board ensures that both the MD and executive team are appropriately qualified and experienced to discharge their responsibilities.

Board committees
Leaf Resources board had established three standing committees to assist in meeting its responsibilities — the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board retired the Nomination Committee and the Remuneration Committee in September 2012 due to the changes in the Board composition at that time. As ASX principles suggest, the efficiencies gained from delegating these functions to a separate committee are not gained for smaller Boards. The functions of these Committees are now carried out by the full Board as part of the Board's responsibilities. Committees review matters on behalf of the Board and make recommendations for consideration by the entire Board. Copies of the charters of these committees can be accessed from our website.

Senior Executive performance evaluation
The Board reviews the performance of the MD and executive team on a yearly basis. Performance is measured against a set of key performance indicators which have been established with reference to the Group's strategy and the individual's responsibilities. The Board annually reviews and determines the remuneration arrangements for the MD and executive team.

Principle 2: Structure the Board to add value

Board composition
The names of the members of the Board as at the date of this report are as follows:

- Dr Jay Hetzel – Chairman and independent non-executive director
- Ken Richards - Managing director
- Charles Wilson - Independent non-executive director
- Matthew Morgan – Independent non-executive director

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report are included in the Directors' Report.

The Board's charter states that the Board composition is determined with regard to the following criteria:
- The company must have a minimum of three Directors.
- Comprise a majority of non-executive Directors who are considered by the Board to be independent.
- Every annual general meeting, one third of the Directors, excluding one Managing Director, must retire from office but may stand for re-election.
- Executive Directors must resign from the Board when they cease to occupy their executive position with the Company. They may be eligible for re-appointment as non-executive Directors, although the Board will consider the suitability of such candidates in accordance with, among other things, its policy relating to the independence of Directors.
- Where the company circumstances allow, the Chairman should be a non-executive, independent Director and should not hold the office of either the CEO or the CSO at the same time.
- The Board will appoint the Chairman on the basis of relevant experience, skill and other commitments.

The Board seeks to ensure that:
- Its membership represents an appropriate balance between directors with experience and knowledge of the group and Directors with an external or fresh perspective; and
- The size of the Board is conducive to effective discussion and efficient decision-making.

Board composition is reviewed periodically, either when a vacancy arises or if it is considered that the Board would benefit from the services of a new Director.

Directors' Independence
When determining if a Director is independent, the Board will consider a range of factors including whether the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity, by the Company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has served on the Board for a period that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; or
- has a material contractual relationship with the Company or another group member other than as a Director.

Based on these criteria, the executive director Ken Richards is not considered to be independent due to his management capacity and his substantial shareholding. However, Dr Jay Hetzel is free from any material relationships and was initially appointed as a non-executive director during the 2012 financial year as part of the Board's succession planning. Subsequently he was promoted to Chairman holding the casting vote and is considered independent.

Non-executive directors are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their independent judgement.

In this context, "materiality" is considered from both the Group and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important or whether the competitive landscape, the nature of the relationship and contractual or other arrangements governing the relationship affect the ability of the director in question to shape the direction of the Company's loyalty. The Board considers independence to be a state of mind, of independence from management, which is evidenced by the director's course of conduct in deliberations at the Board table. This independence allows the director to fulfil the duties of a director untrammelled by considerations of relationship or attachment to management or their proposals or existing business plans.

The Directors have determined that despite Charles Wilson's substantial shareholding, he has no other material relationships affecting his independence and on the basis of qualitative factors, the Board is of the opinion that he is an Independent Director. Subsequent to the end of the financial year, the Board have appointed Matthew Morgan as a new independent non-executive director after his success assisting the company with its capital raising program in the capacity as a consultant.

The Board assesses Director independence on an annual basis, or more often if it feels it is warranted, depending on disclosures made by individual Directors and changes on the composition of the Board.

In summary, at the date of signing the Directors' Report, there is one executive director and three non-executive directors, all of whom have been determined to be independent. As the casting vote belongs to the Chairman, who is independent, the majority of the Board could be considered to be independent.

Role of the Chairman

The roles of Chairman and Managing Director are exercised by different individuals, providing for clear division of responsibility at the head of the Group. Their roles and responsibilities, and the division of responsibilities between them, are clearly defined and understood and there is regular communication between them. The Chairman is an independent non-executive director who is responsible for leading the Board, and ensuring the Board functions effectively and for communicating the views of the Board to the public.

Nomination Committee

The Board retired the Nomination Committee due to the changes in the Board composition that occurred in September 2012. As ASX principle 2.4 suggests the efficiencies gained from delegating the Nomination Committee functions to a separate committee are not gained for smaller Boards. The functions of the Nomination Committee are carried out by the full Board as part of the Board's responsibilities.

The Nomination Committee functions assumed by the Board include overseeing the appointment and induction process for Directors and the selection, appointment and succession planning process of the Group's executives.

When a vacancy exists or there is a need for a particular skill, the Board determines the selection criteria that will be applied. The Board will then identify suitable candidates, with assistance from an external consultant if required, and will interview and assess the selected candidates.

Directors' Performance Evaluation

The Board performs an annual self-review of Board performance. The results of this assessment will be reviewed by the Board and will be used to establish new performance objectives.

To help Directors maintain their understanding of the business and to assess business performance, Directors are briefed regularly by members of the Executive team. Directors also have access to other employees at all levels. Directors receive comprehensive regular reports from management and have unrestricted access to Group records and information. All Directors have direct access to the Company Secretary who is accountable to the Board on all corporate governance matters.

Independent Professional Advice

Any Director may take such independent legal, financial or other advice as they consider necessary at the Company's cost. Any Director seeking independent advice must first discuss the request with the Chairman who will facilitate obtaining such advice.

Principle 3: Promote ethical and responsible decision-making

Code of Conduct
The Group recognises the importance of establishing and maintaining high ethical standards and decision making in conducting its business and is committed to increasing shareholder value in conjunction with fulfilling its responsibilities as a good corporate citizen. All Directors, managers and employees are expected to act with the utmost integrity, honesty and objectivity, striving at all times to enhance the reputation and performance of the Group. The Group has established a Code of Conduct, copies of which are available on our website www.leafresources.com.au.

Unethical practices, including fraud, legal and regulatory breaches, and policy breaches are required to be reported on a timely basis to management. Reporting parties are able to do so without fear of reprisal or retribution as their identity and report are kept in the strictest confidence. External third party reporting procedures are available to employees to provide them with the assurance that their identity will be kept confidential at all times.

Share Trading Policy
The Group has established a securities trading policy which governs the trading in the Group's securities and applies to all Directors and employees of the Group. A copy of this policy is available on our website www.leafresources.com.au. Under this share trading policy, an executive, employee or Director must not trade in any securities of the Group at any time when they are in possession of unpublished, price sensitive information in relation to those securities.

Before commencing to trade, an executive or employee must first obtain the permission of the Company Secretary to do so. The trading windows are 30 days after the release of the half year results, full year results, quarterly reports, lodging disclosure documents and the holding of the Annual General Meeting. Trading of securities outside the trading windows can only occur in exceptional circumstances and with the approval of the Company Secretary.

As required by the ASX listing rules, the Group notifies the ASX of any transaction conducted by Directors in the securities of the Group.

Diversity Policy
Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to diversity and recognises the benefits arising from employee and Board diversity and the importance of benefiting from all available talent. A copy of the company's diversity policy is available on our website www.leafresources.com.au.

This diversity policy outlines the requirements for the board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. Accordingly, the board has reported on the actual diversity for the year and also developed the following target objectives regarding gender diversity and aims to achieve these objectives over the next few years as director and senior executive positions become vacant and appropriately qualified candidates become available:

	2014 Actuals		2015-2016 Targets	
	No.	%	No.	%
Women on the Board	-	-	-	-
Women in senior management roles	1	50%	1	33%
Women employees in the company	2	67%	2	50%
Work life balance initiative	3	100%	4	100%

Principle 4: Safeguard integrity in financial reporting

The Board has established an Audit Committee which operates under a Charter approved by the Board and meets throughout the year. At the date of signing the Directors' Report, the Audit Committee comprised the following Non-Executive Directors, Matt Morgan as its Chairman, Charles Wilson and Dr Jay Hetzel. Due to the appointment of Matt Morgan in July 2014, the composition of the committee has increased to consist of three non-executive directors following a period of departing from this principle whilst the Company was a small market capitalised company in commercialisation stage consisting of a smaller Board.

The members of the Audit Committee have significant financial, business, and legal backgrounds, expertise and qualifications. The full particulars of each member's relevant experience and qualifications, and other relevant matters are contained in the Directors' Report.

The Audit Committee advises the Board on issues surrounding the integrity of financial information presented to the Board and shareholders, including the review of audit engagements and controls. The Audit Committee also advises the Board and makes recommendations in relation to policy and procedures, business risks and mitigation, related party transactions and the application of the principles of corporate governance. The Committee seeks to monitor the independence of the external auditor. It pre-approves any appropriate non-audit services to be performed by the audit firm which do not impair or provide the reasonable perception of possible impairment of the auditor's judgement or independence. For additional detail regarding the Audit Committee including its charter please refer to our website.

For detail of directors' attendance at meetings of the Audit Committee, refer to the Directors' Report.

Principle 5: Make timely and balanced disclosure

Leaf Resources has established policies and procedures to ensure timely and balanced disclosure of all material matters concerning the Group, and ensure that all investors have access to information on the Group's financial performance. This ensures that the Group is compliant with the information disclosure requirements under the ASX Listing Rules.

These policies and procedures include a comprehensive Disclosure Policy that includes identification of matters that may have a material impact on the price of Leaf Resources securities, notifying them to the ASX, posting relevant information on the Group's website and issuing media releases. These policies are available on our website www.leafresources.com.au.

Matters involving potential market sensitive information must first be reported to a member of the Disclosure Committee. The Committee will assess the information with regards to the Group's disclosure responsibilities. Once the appropriate course of action has been agreed upon, either the Managing Director or Company Secretary will disclose the information to the relevant authorities once approved by the Chairman.

The appropriate action must be determined and carried out in a timely manner in order for the Group to comply with the Information Disclosure requirements of the ASX.

Principle 6: Respect the rights of the shareholders

Leaf Resources has established a Shareholder Communication Policy which describes the Group's approach to promoting effective communication with shareholders. A copy of the company's policy is available on our website www.leafresources.com.au. The company communicates directly with shareholders on a regular basis during the year using the following mechanisms:

- The annual report, including relevant information about the operations of the Group during the year, key financial information, changes in the state of affairs and indications of future developments. The annual report can be accessed either through the ASX website or Leaf Resources website.
- The half year and full year financial results are announced to the ASX and are available to shareholders via the Leaf Resources and ASX websites.
- All announcements made to the market and related information (including presentations to investors) are made available to all shareholders on Leaf Resources website after they have been released to the ASX.
- Detailed notices of shareholder meetings are sent to all shareholders in advance of the meeting and available on the Company's website.
- Shareholding details are available through the Group's share register, Security Transfer Registrars.

The Board encourages full participation by shareholders at the Annual General Meeting to ensure a high level of Director accountability to shareholders and shareholder identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions. The shareholders are requested to vote on matters such as the adoption of the Group's remuneration report.

The external auditor attends the Annual General Meeting to answer any questions concerning the audit of the Group and the contents of the auditor's report.

Principle 7: Recognise and manage risk

Risk management framework
The Group continues its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Group's approach to creating long-term shareholder value. In recognition of this, the Board determines the company's risk profile and is responsible for overseeing and approving risk management strategy and internal compliance and internal control policies.

The Board, together with the Audit Committee, oversees management's implementation of these risk management processes, in particular that:

- The principal strategic, operational and financial risks are identified.
- Effective systems are in place to monitor and, if appropriate, manage risks.
- Reporting systems, internal controls and arrangements for monitoring compliance with laws and regulations are adequate.
- Procedures requiring that significant capital and operating expenses are approved at an appropriate level of management or by the Board.

Audit and Risk Committee
The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. Detailed work on this task is delegated to the Audit Committee.

The Audit Committee is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. They monitor the Company's risk management by overseeing management's actions in the evaluation, management, monitoring and reporting of material operational, financial, compliance and strategic risks. In providing this oversight, the Committee:

- Reviews the framework and methodology for risk identification, the degree of risk the Company is willing to accept, the management of risk and the processes for auditing and evaluating the Company's risk management system;
- Reviews group-wide objectives in the context of the abovementioned categories of corporate risk;
- Reviews and, where necessary, approves guidelines and policies governing the identification, assessment and management of the Company's exposure to risk;
- Reviews and approves the delegations of financial authorities and addresses any need to update these authorities on an annual basis; and
- Reviews compliance with agreed policies.

Management is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system and has reported to the Audit Committee on the effectiveness of:

- The risk management and internal control system during the year; and
- The Company's management of its material business risks.

Corporate Reporting
In accordance with section 295A of the Corporations Act, the Managing Director and Financial Controller certify that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and results and are in accordance with relevant Accounting Standards.

As part of this certification, the Managing Director and Financial Controller confirm that there is a sound system of risk management and internal compliance and the control system is operating efficiently in all material respects.

Principle 8: Remunerate fairly and responsibly

The Board retired the Remuneration Committee due to the changes in the Board composition that occurred in September 2012. As ASX principle 8.1 suggests the efficiencies gained from delegating the Remuneration Committee functions to a separate committee are not gained for smaller Boards. The functions of the Remuneration Committee are carried out by the full Board as part of the Board's responsibilities.

The Remuneration Committee functions occurring at the Board level include overseeing the appointment and induction process for directors and the selection, appointment and succession planning process of the Group's executives. The Remuneration Committee functions assumed by the Board include making recommendations on the remuneration arrangements for non- executive directors and executives; equity, superannuation and retirement arrangements; recruitment, retention and performance measurement policies and procedures; and public disclosures regarding remuneration.

For additional detail regarding the Remuneration Committee including its charter please refer to our website. Details of the Group's remuneration structure and details of senior executives' remuneration and incentives are set out in the Remuneration Report contained within the Directors' Report. The Remuneration Report also contains details on the structure of Non-Executive Director Remuneration.

Consolidated statement of comprehensive income

	Notes	2014 $	2013 $
Revenue	3	-	718,233
Other income	4	15,175	25,348
Mining lease expenses		(18,725)	(148,741)
Depreciation, amortisation and impairment	5	(1,959)	(1,812)
Employee benefits expense	5	(444,978)	(208,390)
Directors' & officers' fees & CEO		(553,668)	(303,797)
Office administration		(81,481)	(55,334)
Professional fees		(69,042)	(112,821)
Corporate and investor costs		(56,768)	(20,412)
Travel and accommodation		(114,800)	(66,996)
Research and development		(247,838)	(383,864)
Patent and licence fees		(44,803)	(98,837)
Loss before income tax		**(1,618,887)**	**(657,423)**
Income tax refund	6,25	90,504	298,812
Loss for the year from continuing operations		**(1,528,383)**	**(358,611)**
Loss from discontinued Operations		-	-
Loss for the year		**(1,528,383)**	**(358,611)**
Other comprehensive income		**-**	**-**
Total comprehensive loss for the year		**(1,528,383)**	**(358,611)**
Earnings Per Share			
From Continuing Operations			
Basic loss per share (cents)	9	(2.45)	(0.72)
Diluted loss per share (cents)	9	(2.45)	(0.72)

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

Consolidated statement of financial position

	Notes	2014 $	2013 $
CURRENT ASSETS			
Cash and cash equivalents	21(a)	475,201	477,510
Trade and other receivables	11	53,114	58,224
Current tax assets	6	90,504	270,940
TOTAL CURRENT ASSETS		**618,819**	**806,674**
NON-CURRENT ASSETS			
Property, plant and equipment	13	3,705	2,811
Other financial assets	12	-	84,000
Intangible assets	14	-	-
TOTAL NON-CURRENT ASSETS		**3,705**	**86,811**
TOTAL ASSETS		**622,524**	**893,485**
CURRENT LIABILITIES			
Trade and other payables	15	109,832	82,632
Employee benefits	16	331,641	35,247
Provisions	17	100,000	100,000
TOTAL CURRENT LIABILITIES		**541,473**	**217,879**
NON-CURRENT LIABILITIES			
TOTAL NON-CURRENT LIABILITIES		**-**	**-**
TOTAL LIABILITIES		**541,473**	**217,879**
NET ASSETS		**81,051**	**675,606**
EQUITY			
Issued capital	18	34,830,856	33,938,584
Reserves	19	54,530	12,974
Accumulated losses	20	(34,804,335)	(33,275,952)
TOTAL EQUITY		**81,051**	**675,606**

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements.

Consolidated statement of changes in equity

	Attributable to equity holders of the parent			
	Issued capital $	Accumulated losses $	Other reserves $	Total Equity $
At 1 July 2013	33,938,584	(33,275,952)	12,974	675,606
Loss for the period	-	(1,528,383)	-	(1,528,383)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	**-**	**(1,528,383)**	**-**	**(1,528,383)**
Transactions with owners in their capacity as owners				
Shares issued	927,859	-	-	927,859
Share issue transaction costs	(56,887)	-	-	(56,887)
Cost of share-based payments	17,500	-	45,356	62,856
Transfer relating to options expired	3,800	-	(3,800)	-
	892,272	-	41,556	933,828
At 30 June 2014	**34,830,856**	**(34,804,335)**	**54,530**	**81,051**
At 1 July 2012	33,874,495	(32,917,341)	50,283	1,007,437
Loss for the period	-	(358,611)	-	(358,611)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	**-**	**(358,611)**	**-**	**(358,611)**
Transactions with owners in their capacity as owners				
Share issue transaction costs	(7,194)	-	-	(7,194)
Cost of share-based payments	24,800	-	9,174	33,974
Transfer relating to options expired	46,483	-	(46,483)	-
	64,089	-	(37,309)	26,780
At 30 June 2013	**33,938,584**	**(33,275,952)**	**12,974**	**675,606**

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Consolidated statement of cash flows

	Notes	2014 $	2013 $
Net cash flows from operating activities			
Receipts from customers		13,663	896,641
Payments to suppliers & employees		(1,271,632)	(1,304,525)
Interest received		15,101	22,803
Income tax refund		270,940	199,921
Net cash used in operating activities	21(b)	**(971,928)**	**(185,160)**
Cash flows from investing activities			
Payment for plant & equipment	13	(2,853)	(1,887)
Proceeds for other financial assets		84,000	-
Proceeds for disposals of plant & equipment		-	2,545
Net cash provided by investing activities		**81,147**	**658**
Cash flows from financing activities			
Proceeds from issue of shares		927,859	-
Share issue transaction costs		(39,387)	(7,194)
Net cash provided by (used in) financing activities		**888,472**	**(7,194)**
Net (decrease)/increase in cash and cash equivalents		(2,309)	(191,696)
Cash and cash equivalents at the beginning of the financial year		477,510	669,206
Cash and cash equivalents at the end of the financial year	21(a)	**475,201**	**477,510**

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements.

Notes to the financial statements

1. General information and basis of preparation

The consolidated financial statements of Leaf Resources Limited, formerly Leaf Energy Ltd, (the 'Parent') for the year ended 30 June 2014 comprise the company and its subsidiaries (together referred to as the 'Group'). Leaf Resources Limited is a listed public company, incorporated and domiciled in Australia. The consolidated financial statements of the Group are for the twelve months ended 30 June 2014 and are presented in Australian dollars ($), which is the functional currency of the parent company.

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Leaf Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were authorised for issue on 29 August 2014 by the directors of the Company.

Going Concern

This report adopts the going concern basis of accounting, which contemplates the realisation of assets and the discharge of liabilities and commitments in the ordinary course of business.

The Group has significantly progressed the commercialisation objectives for its proprietary technology and is ready to pursue these on a global scale whilst undertaking further improvements to the economic efficiency and technical aspects of the process. The Directors have a reasonable expectation that they will be able to raise sufficient funds in the equity markets to provide adequate levels of working capital to fund these strategic goals. They believe therefore that the Group continues to be a going concern and that it will be able to pay its debts as and when they fall due for a period of at least 12 months from the date of this report.

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.

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 the consolidated financial statements.

2. Significant accounting policies

(a) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Leaf Resources Limited as of 30 June 2014. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 28 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Investments in subsidiaries held by Leaf Resources Limited are accounted for at cost in the parent entity less any impairment charges.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in banks with a maturity profile equal to or less than 3 months.

(c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(d) Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of impairment loss is recognised in the statement of comprehensive income immediately.

(e) Taxation

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current tax
Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office "ATO" and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when then asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company / Group intends to settle its current tax assets and liabilities on a net basis.

(f) Receivables

Trade and other receivables are recorded at amounts due less any allowance for doubtful debts.

(g) Payables

Trade and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

(h) Financial instruments

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provision of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either purchase or sale of the assets.

Financial instruments are initially measured at fair value plus transactions costs.

Classification and subsequent measurement
Financial instruments are subsequently measured at either fair value or amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties.
(i) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments and that are not quoted in an active market and are subsequently measured at amortised cost.
(ii) *Financial liabilities*
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Impairment
At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

De-recognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired.

(i) Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

Costs of mining site restoration are provided over the life of the mining lease approval from when production commences and are included in the costs of production. Site restoration costs include rehabilitation of the ground site in accordance with clauses of the mining permits and are reviewed annually and any change is reflected in the present value of the provision. Such costs have been determined using estimates of future costs based on current legal requirements and technology.

(j) Earnings per share

Basic earnings per share (“EPS”) is calculated by dividing the net profit or loss attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue or rights issue that contains a bonus element.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue or rights issue that contains a bonus element.

(k) Revenue recognition

Revenue arises from the sale of goods and the rendering of services plus the Group’s share of revenue of its jointly controlled operations. Revenue from the sale of goods is recognised when the Group entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Revenue from royalties is recognised when it is probable that it will be received and can be measured reliably. Licence revenue is recognised when it is probable that it will be received and can be measured reliably.

(l) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net costs of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual report period.

The following depreciation rates are used in the calculation of depreciation:

- Plant and equipment	20%
- Computers and IT	67%
- Software	25%

(m) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on finance costs.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset. Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(n) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, bonuses, annual leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

(o) Share based payments

The group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a binomial or trinomial pricing model which incorporates all non-market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(p) Patent assets

Patent assets and licence assets
Patent and licence expenditure are recognised as intangible assets when it is probable that the patent will, after considering its commercial and technical feasibility, generate future economic benefits and its costs can be measured reliably. Other expenditures that do not meet these criteria are recognised as an expense as incurred. Patent and licence costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its finite useful life, which is 20 years.

Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation
Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- Patents 20 years

Impairment
Impairment losses and reversals are reported within comprehensive income and are recognised as described in Note 2(d).

(q) Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(r) Foreign currency transactions and balances

The consolidated financial statements are presented in Australian dollars (AUD), which is also the functional currency of the parent company.

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

(s) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Company for the cost of an asset are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

(t) Joint operations – Interests in Joint Ventures

A joint operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls, the liabilities and expenses that it incurs, and the net income that it earns from the Six Mile Creek Joint Venture joint operation. The joint venture exploits two mining tenements in Karratha, Western Australia, to mine and sell soil and gravel. The Group's subsidiary AQL Mining Pty Ltd holds leases over these mining tenements and holds a 50% ownership interest in the venture equally with the joint venture partner.

(u) Significant accounting judgements, estimates and assumptions

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Amortisation of finite life of intangible assets
The Group's management determines the estimated life of the patents underlying the core technology of the business and calculates amortisation accordingly. The estimate is based on the period of expected benefit which is currently up to 20 years. This could change as a result of technical innovations or competitor actions in relation to severe industry cycles. Management will increase amortisation charges when the useful lives are less than their previously estimated lives.

Impairment
The Group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers in accordance with the accounting policy stated in Note 2(d). Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

Impairment of intangibles with finite useful lives (patents)
The Group assesses impairment of intangibles with finite useful lives at each reporting date by evaluating conditions specific to the Group and to the particular intangibles that may lead to impairment.
If an impairment trigger exists, the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

The periodic review of impairment of intangibles with finite lives is based upon assessment of market changes in technologies which is likely to have a negative impact on the commercialisation of the technology, making it potentially uncompetitive or redundant.

Rehabilitation Provision
The most significant accounting estimate for the Group relates to the rehabilitation provision, for further discussion refer to Note 17.

Impairment allowance for receivables
No allowance for impairment has been made, management are not aware of any debt which it considers requires impairment.

(v) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(w) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

AASB 9 Financial Instruments
AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.

- Financial assets that are debt instruments will be classified based on (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
  - The change attributable to changes in credit risk are presented in other comprehensive income (OCI);
  - The remaining change is presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- Classification and measurement of financial liabilities; and
- Derecognition requirements for financial assets and liabilities.

Consequential amendments arising from AASB 9 are contained in AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters, AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments and AASB 2014-1 Amendments to Australian Accounting Standards.

These changes do not currently have a direct impact on the Group; however they may become relevant in the future.

IFRS 15 Revenue from Contracts with Customers

Establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The following key items are noted:

- replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue-related Interpretations
- establishes a new control-based revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

In the Australian context, the Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian Standard (AASB 15 *Revenue from Contracts with Customers*).

These changes do not currently have a direct impact on the Group; however they may become relevant in the future.

(x) New and revised standards that are effective for these financial statements

A number of new and revised standards are effective for annual periods beginning on or after 1 July 2013. Information on these new standards is presented below.

AASB 10 Consolidated Financial Statements
AASB 10 establishes a revised control model that applies to all entities. It replaces the consolidation requirements in AASB 127 Consolidated and Separate Financial Statements and AASB Interpretation 112 Consolidation – Special Purpose Entities.

AASB 10 sets out requirements and provides guidance for situations when control is difficult to assess. This includes cases involving potential voting rights, agency relationships, control of specified assets (silos) and circumstances in which voting rights are not the dominant factor in determining control. The adoption of this standard could result in more entities being consolidated into the group.

AASB 10 was mandatory to annual reporting periods beginning on or after 1 January 2013.

These changes have not had a material impact on the financial report. The method used to consolidate the subsidiaries of Leaf Resources continues to be appropriate.

AASB 11 Joint Arrangements
AASB 11 replaces AASB 131 Interests in Joint Ventures and AASB Interpretation 113 Jointly-controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition, AASB 11 removes the option to account for Jointly Controlled Entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations for liabilities are accounted for by recognising the share of those assets and liabilities. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method.

AASB 11 was mandatory to annual reporting periods beginning on or after 1 January 2013.

These changes have not had a material impact on the financial report for the Group. Leaf Resources historically accounted for the joint venture arrangement Six Mile Creek Joint Venture Arrangement as a jointly controlled operation. Under the new standard, this arrangement has been classified as a joint operation and the accounting treatment is effectively the same.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted by other Standards.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

AASB 13 was mandatory to annual reporting periods beginning on or after 1 January 2013.

These changes have not had a material impact on the financial report.

AASB 119 Employee Benefits (September 2011)
Main changes include:

- Elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans;
- Actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in the Comprehensive Income (OCI) rather than in profit or loss, and cannot be reclassified in subsequent periods;
- Subtle amendments to timing for recognition of liabilities for termination benefits; and
- Employee benefits 'expected to be settled wholly' (as opposed to 'due to be settled' under current standard) within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Unless all annual leave for all employees is expected to be used wholly within 12 months of the end of reporting period, annual leave is included in 'other long-term benefits' and discounted when calculating the leave liability. This has no impact on the presentation of annual leave as a current liability in accordance with AASB 101 *Presentation of Financial Statements*.

AASB 119 was mandatory to annual reporting periods beginning on or after 1 January 2013.

These changes have not had a material impact on the financial report of Leaf Resources.

3. Revenue

	2014	2013
	$	$
Licence revenue	-	186,700
Gravel sales	-	531,533
	-	**718,233**

4. Other income

	2014	2013
	$	$
Interest income	14,442	22,803
Profit on sale of property, plant and equipment	-	2,545
Other	733	-
	15,175	**25,348**

5. Expenses

	Note	2014	2013
		$	$
Depreciation, amortisation and impairment expense			
Depreciation of property, plant and equipment		1,959	1,812
Impairment of non-financial assets	14	-	-
		1,959	**1,812**
Employee benefits expense			
Salaries, wages & bonus		389,044	181,982
Superannuation		35,452	15,463
Share based payments		15,972	7,645
Other Employee benefits		4,510	3,300
		444,978	**208,390**
Rental expense relating to operating leases			
Minimum lease payments		**28,397**	**19,158**
Net foreign exchange differences		**5,800**	**178**

6. Income tax

Reconciliation between the income tax refund and the expected tax expense (income) based on the Group's applicable income tax rate is as follows:

	Note	2014	2013
		$	$
Loss before income tax		(1,618,887)	(657,423)
Income tax at 30% (2013: 30%)		(485,666)	(197,227)
Expenditure not allowable for income tax purposes		75,449	191,580
Temporary differences (deferred tax)		(263,950)	(20,199)
Unrecognised / (recognised) tax losses		674,167	25,846
R&D tax incentive cash refund current year		(90,504)	(270,940)
Adjustment in respect of prior year's R&D tax incentive		-	(27,872)
Actual income tax refund		(90,504)	(298,812)
Income tax refund comprises:			
Current tax expense (income)		(90,504)	(298,812)
Deferred tax expense (income)		-	-
Income tax refund	25	**(90,504)**	**(298,812)**

Losses
At 30 June 2014, the Group has carry forward tax losses of approximately $16.2 million not brought to account (2013 - $13.9 million). The deferred tax asset which may be derived from these tax losses, has not been carried forward as an asset in the balance sheet and will only be recognised if:

(i) the Group derives assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
(ii) the Group continues to comply with the conditions for deductibility imposed by law; and
(iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

Deferred income tax

	2014	2013
	$	$
Deferred tax assets		
- Provisions	148,652	60,108
- Share capital costs	20,562	19,086
- Patents	13,233	356,371
- Tax losses	4,854,446	4,180,279
Deferred tax liabilities		
- Accrued income	(1,684)	(2,537)
Total deferred tax assets	**5,035,341**	**4,613,307**

The Group has not recognised the deferred income tax and deferred tax assets in the financial statements as it is not probable that sufficient taxable amounts will be available in future periods in which to be offset.

7. Auditor remuneration

	2014 $	2013 $
Audit and review of financial statements		
- Grant Thornton	35,176	35,312
Total audit and review remuneration	35,176	35,312
Taxation compliance services		
- Grant Thornton	10,600	10,950
Total auditor's remuneration	**45,776**	**46,262**

8. Interests of key management personnel

Key management personnel compensation:

	2014 $	2013 $
Short-term employee benefits	597,270	217,529
Post-employment benefits	62,007	14,515
Long-term benefits	-	-
Termination benefits	-	-
Share based payments *	136,166	24,800
	795,443	**256,844**

* Detailed remuneration disclosures are provided in the remuneration report.

9. Earnings per share

Reconciliation of earnings used in calculating earnings per share	2014 $	2013 $
Loss attributable to the parent entity used in the calculation of basic and dilutive EPS	(1,528,383)	(358,611)
Loss attributable to the parent entity	(1,528,383)	(358,611)
Weighted average number of ordinary shares	**Number**	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share*	62,377,982	49,566,766
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share*	62,377,982	49,566,766

* The weighted average number of ordinary shares, disclosed above, has been adjusted to reflect the impact of the rights issue which took place during the year ended 30 June 2014, as required by Accounting Standards. This has resulted in the earnings per share being adjusted accordingly for 2013.

Calculation of dilutive EPS
As at 30 June 2014 there are 4,825,000 (2013: 1,400,000) unlisted options on issue which were not included in the calculation of diluted earnings per share due to being anti-dilutive as the exercise price exceeded the average market price of ordinary shares during the period.

Further, at 30 June 2014 the non-executive directors' accrued salary is considered a contingently issuable share as the general meeting of shareholders on 14 July 2014 ratified these accruals being satisfied via the issue of shares. Staff bonuses unpaid at year end and accrued for payment in share based payments were potentially ordinary shares at year end. However, these equity instruments 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.

10. Segment information

Description of segments
Management has determined the operating segments 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 Group is organised into two operating segments which correlate to the Group's subsidiaries; the technology segment which undertakes research, development and commercialisation of specific technologies within the clean technology sector (R&D) and the legacy gravel business segment which supplies soil and general fill (Gravel) and is being wound down.

These two operating segments define the assets maintained by the Group and the corresponding revenue streams. The Group's headquarters were reported as an operating segment in prior years and this has been changed to a reconciliation item for the year ended 30 June 2013 onwards.

The results as presented in the statement of comprehensive income are consistent with the entities operating segments. 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.

Segment information
The gravel segment receives income by way of net sales through the Six Mile Creek Joint Venture. These mining assets are all located in Western Australia. All the revenue from this segment is derived through the joint venture operation however the joint venture operation derives its sales from varied external customers. This is a non-core asset and will not receive further reinvestment from the Company.

The technology segment receives revenue from the licensing of intellectual property assets and from Government grants and programs targeted at pursuing Australia's investment in research and technology. The intellectual property asset portfolio (refer to Note 14) maintained by this segment includes patents and licences granted in Australia and foreign countries. During 2014, none (2013: $175,000 or 24%) of the Group's revenues depended on a single customer in the technology segment. The income tax refund receivable by the Group is attributable in full to this segment due to the application of the R&D tax incentive program.

The segment revenue reported to the Board reconciles to the Group revenue reported in the statement of comprehensive income. All the revenue disclosed consists only of external customer income as the Group does not undertake any internal inter segment transactions. The Group's revenues are divided into geographical areas, which have been identified on the basis of the customer's geographical location.

Segment information for the reporting period is as follows:

	Gravel 2014 $	R&D 2014 $	Total 2014 $	Gravel 2013 $	R&D 2013 $	Total 2013 $
Revenue (external)						
Australia – licensing	-	-	-	-	175,000	175,000
Australia – gravel sales	-	-	-	531,533	-	531,533
Canada – licensing	-	-	-	-	11,700	11,700
Segment & group revenue	-	-	-	531,533	186,700	**718,233**
Interest income	3,580	685	4,265	9,466	15	9,481
Other income	-	733	733	-	-	-
Cost of sales	(18,725)	-	(18,725)	(142,041)	(6,700)	(148,741)
Employee benefits expense	-	(303,007)	(303,007)	-	(16,667)	(16,667)
Office administration	(3,769)	(15,817)	(19,586)	(3,951)	(422)	(4,373)
Professional fees	(9,501)	(3,600)	(13,101)	(22,395)	(26,485)	(48,880)
Statutory fees	(236)	(236)	(472)	(230)	(230)	(460)
Travel and accommodation	-	(27,758)	(27,758)	(6,352)	(13,171)	(19,523)
Research and development	-	(247,838)	(247,838)	-	(383,864)	(383,864)
Patent and licence fees	-	(44,803)	(44,803)	-	(98,837)	(98,837)
Segment operating profit or loss	(28,651)	(641,641)	**(670,292)**	366,030	(359,661)	**6,369**
Segment assets	737,795	32,180	**769,975**	762,052	45,199	**807,251**
Segment liabilities	119,005	1,484,789	**1,603,794**	114,995	1,226,860	**1,341,855**

The totals presented for the Group's operating segments reconcile to the key financial figures as presented in its financial statements as follows:

	2014 $	2013 $
Total reportable segment operating profit or (loss)	(670,292)	6,369
Other income not allocated	10,177	15,867
Corporate overhead	(958,772)	(679,659)
Group operating loss before income tax	**(1,618,887)**	**(657,423)**
Total reportable segment assets	769,975	807,251
Consolidation	(600,100)	(600,100)
Corporate headquarters	362,145	415,394
Group assets	**532,020**	**622,545**
Total reportable segment liabilities	1,603,794	1,341,855
Consolidation	(1,480,379)	(1,225,000)
Corporate headquarters	418,058	101,024
Group liabilities	**541,473**	**217,879**

11. Trade and other receivables

	2014 $	2013 $
Trade receivables	-	11,630
Impairment allowance	-	-
Net trade receivables	**-**	**11,630**
Other debtors (expense reimbursements)	8,937	-
GST receivable	10,155	28,329
Prepayments	24,243	5,642
Deposit landlord	4,166	4,166
Accrued interest received	-	659
Accrued income	5,613	7,798
Total trade and other receivables	**53,114**	**58,224**

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. Trade and other receivables are assessed for recoverability. An allowance for impairment is recognised when there is objective evidence that individual trade or other receivable is impaired. As at 30 June 2014 no debts were considered doubtful, therefore no allowance was raised.

12. Other financial assets

The two term deposits held by the National Australia Bank as security for two unconditional performance bonds with the Department of Mineral Resources in Western Australia have been closed. The Mining Rehabilitation Fund was introduced and supersedes the requirement for mining entities to hold performance bonds with the Government. Instead, an annual disturbance fee is payable and consequently the Group's performance bonds were cancelled in February 2014 and the funds have been released to the Group.

For further information refer to Note 17 and 25.

	2014 $	2013 $
Term deposit held as security	**-**	**84,000**

13. Property, plant and equipment

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

	2014 $	2013 $
Plant and equipment		
Cost	8,462	5,608
Accumulated depreciation	(4,757)	(2,797)
Total property, plant and equipment	**3,705**	**2,811**

Movements in carrying amounts
Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	2014 $	2013 $
Plant and equipment		
Opening written down value	2,811	2,736
Additions	2,853	1,887
Disposals	-	-
Depreciation	(1,959)	(1,812)
Closing written down value	3,705	2,811
Total property, plant and equipment	**3,705**	**2,811**

14. Intangibles

Intangibles are included in the accounts, at fair value, on the following basis:

	2014 $	2013 $
Patents		
Cost (gross carrying amount)	-	2,410,618
Accumulated amortisation	-	(404,444)
Accumulated impairment	-	(2,006,174)
Carrying amount	**-**	**-**

Reconciliation of carrying amount at beginning and end of period

	2014 $	2013 $
Carrying amount – opening	-	-
Additions – capitalisation of patent expense	-	-
Amortisation	-	-
Impairment loss	-	-
Net carrying amount – closing	**-**	-

Leaf Resources has a dynamic intellectual property strategy in which it regularly reviews all of its research activities and is proactive in identifying new intellectual property, as well as considering superseded intellectual property.

The Company has re-assigned intellectual property in relation to the INPACT gene activation technology to Queensland University of Technology and discontinued several patent applications in technology fields outside biomass pretreatment. Biomass pretreatment technology commercialisation has become the main focus of the company.

The intellectual property portfolio is maintained by in-house management with extensive patent experience who work closely with patent attorneys and lawyers in Australia and abroad.

During the year ended 30 June 2012 an impairment loss of $2,006,174 was recognised in relation to plant DNA products based on the recoverable amounts determined during the annual impairment testing process. The recoverable amounts of these patent assets were determined to be $Nil based on conservative value-in-use calculations derived from management's knowledge of market changes during the year. Due to material changes in the Vitronectin market during that year, a review of the recoverable amount of the Group's most advanced INPACT technology was untaken. The cash flow projections were significantly downgraded and the focus shifted to one of licensing the technology. For the year ended 30 June 2014 the INPACT technology produced a loss for the year due to maintenance of the patents associated with the technology. The potential for licensing was reviewed and deemed improbable and the Company has re-assigned the ownership of the intellectual property in relation to the INPACT gene activation technology to QUT.

The Group has expensed all internal research and development expenditure incurred during the year as the costs relate to the research and development of processes that lead to bioenergy and other bioproducts. The intellectual property cannot be valued at this time as the generation of future economic benefits are still to be quantified whilst it progresses the development stage, so is ascribed a nil value.

15. Trade and other payables

	2014 $	2013 $
Trade payables	39,361	11,520
Accruals	63,865	64,451
Other payables	6,606	6,661
	109,832	**82,632**

The carrying values of trade and other payables are considered to be a reasonable approximation of fair value and are all short-term payables.

16. Employee benefits

The liabilities recognised for employee benefits consist of the following amounts:

	2014 $	2013 $
Current		
Leave entitlements	65,319	35,247
Accrued directors' salaries	86,322	-
Accrued bonuses payable	180,000	-
	331,641	**35,247**

The current portion of these liabilities represents the Group's obligations to its current employees that are expected to be settled during the year ended 30 June 2015. Refer to the remuneration report for further information regarding the accrued components of employee benefits as they relate to directors and executives and refer to Note 22 for share based payment information.

17. Provisions

Movements in the mining rehabilitation provision during the financial year are set out below:

	2014 $	2013 $
Carrying amount opening	100,000	-
Additional provision	-	100,000
Amount utilised	-	-
Reversal	-	-
Carrying amount closing	**100,000**	**100,000**

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. A provision for rehabilitation has been recognised for the present value of the estimated expenditure required to restore the ground site on cessation of mining. In determining the costs of site restoration, there is uncertainty regarding the timing and extent of the restoration due to uncertainty as to the remaining life of existing operating sites, and the impact of changes in environmental legislation. No further disturbance occurred on the site during the year.

18. Issued capital

The current issued share capital of Leaf Resources Ltd 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.

	2014 Number	2014 $	2013 Number	2013 $
Movements in ordinary share capital				
Balance at beginning of financial year	46,727,029	33,938,584	41,471,030	33,636,495
Net share issue	27,010,263	888,472	-	(3,608)
Net issue under share based payments	-	-	496,000	23,300
Net A Class performance shares converted to ordinary shares 02/07/2012	-	-	4,759,999	235,914
Expired employee options	-	3,800	-	46,483
Total issued ordinary share capital	**73,737,292**	**34,830,856**	**46,727,029**	**33,938,584**

	2014 Number	2014 $	2013 Number	2013 $
Movements in performance share capital				
Balance at beginning of financial year	-	-	4,759,999	238,000
Converted to ordinary shares	-	-	(4,759,999)	(238,000)
Total issued performance share capital	**-**	**-**	**-**	**-**

The Company issued shares at multiple times throughout the year to increase the working capital of the Group to further the development of the Glycell™ process.

On 19 August 2013 the company invited its shareholders to subscribe to a rights issue of ordinary shares at an issue price of $0.035 per share to raise $800,000. The entitlement was on the basis of one share for every two ordinary shares held. The issue was partly subscribed.

The Company issued further shares in March, April and June 2014 to sophisticated investors utilising the share placement facility under listing rule 7.1 and 7.1A.

Subsequent to year end the shareholders have ratified the March placements at the general meeting held on 14 July 2014 in order to assist the Company retain the flexibility to issue shares in the future up to its 15% capacity under rule 7.1.

19. Reserves

	Note	2014	2013
		$	$
Employee equity-settled benefits reserve		54,530	12,974
Movements:			
Balance at beginning of the financial year		12,974	50,283
Cost of share-based payment	22	45,356	9,174
Expiry of options under ESOP		(3,800)	(46,483)
Balance at end of the financial year		**54,530**	**12,974**

This reserve records the value of equity benefits, i.e. share based payments, provided to employees and directors as part of their remuneration. Refer to Note 22 Share Based Payments for further details of these plans.

20. Accumulated losses

	2014	2013
	$	$
Opening balance at the beginning of the financial year	(33,275,952)	(32,917,341)
Loss for the year	(1,528,383)	(358,611)
Closing balance at the end of the financial year	**(34,804,335)**	**(33,275,952)**

21. Notes to the statement of cash flows

a) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks, net of outstanding bank overdrafts.

Cash and cash equivalents at the end of the year as shown in the statement of cash flow is reconciled to the related item in the statement of financial position as follows:

	2014	2013
	$	$
Cash and cash equivalents	**475,201**	**477,510**

b) Reconciliation of net loss for the period to cash flows provided by operating activities

	2014	2013
	$	$
Net loss for the period	(1,528,383)	(358,611)
Adjustments for:		
Depreciation	1,959	1,812
Share based payments	45,356	33,974
Profit on sale of equipment included in investing activities	-	(2,545)
Net changes in working capital:		
Change in trade and other receivables	5,110	231,818
Change in current tax assets	180,436	(98,891)
Change in trade and other payables	27,200	(112,585)
Change in employee benefits	296,394	19,868
Change in provisions	-	100,000
Net cash used in operating activities	**(971,928)**	**(185,160)**

c) Non-cash investing and financing activities
Settlement of consulting fees in shares received for capital raising purposes and employee options issued are non-cash transactions excluded from the statement of cash flows. Refer to Note 22 below.

22. Share based payments

During the year the Group undertook share based payment arrangements for directors, officers and employees. All arrangements will be settled in equity and are set out below.

Share based payment expense
Total expenses arising from share based payment transactions recognised during the period as part of total comprehensive income for the year were as follows:

	2014	2013
	$	$
Employee share option plan	17,867	9,174
Options issued to directors	27,489	-
Shares issued to director	-	24,800
	45,356	**33,974**

All transactions have been included in equity reserves during the period.

The company engaged the services of a consultant with a portion of the fees ($17,500) being settled via a share based payment. The services were a cost of raising capital and the expense has been recognised directly in equity and does not form part of the share based payments expense disclosed above.

Employee share option plan (ESOP)
At 30 June 2014 the Group maintained an ESOP which was approved by shareholders at the 2011 annual general meeting. The Board may offer options at no cost to directors and officers and full time and part time employees of the Group under the plan.

Options may not be issued under the option plan if the aggregate of the number of shares issued during the preceding five years under any company employee incentive scheme (including the company's existing option plan), disregarding excluded shares, and the number of shares which would be issued if each outstanding option issued under an employee incentive plan were exercised, would exceed 5% of the total number of shares on issue at the time of the proposed offer.

Options may be offered under the option plan on terms, including exercise price, exercise period and any exercise conditions determined by the Board. The Options will usually have a three year exercise period, unless otherwise determined by the Board. Options may be issued with or without performance conditions. Options issued under the option plan are not quoted on ASX. Shares issued on the exercise of options are quoted on ASX and carry full voting rights.

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

Employee Share Options Granted
On 28 October 2013, 1,000,000 unlisted options were granted to employees in recognition of potential future contribution to Leaf Resources Ltd. These options fall under the employee share option plan. They have an exercise price of $0.10 and expire on 20 December 2016. No consideration was payable in respect of the grant of these options. The options will vest in the employees in one tranche if still employed on 20 December 2014.

The fair value of the equity-settled share options is estimated at the date of granting using the Trinomial Lattice option pricing model taking into account the terms and conditions upon which the options were granted. The following information has been used as the inputs in the pricing model.

Expected volatility	74%
Risk-free interest rate	2.94%
Vesting Date:	20-12-14
Exercise price	$0.10

Based on these inputs, the options were valued at a total of $11,088 at the date of granting, of which the portion of the vesting period falling within the period to 30 June 2014 was expensed to the statement of comprehensive income. All options remain unvested at 30 June 2014.

Directors Share Options Granted
On 17 December 2013, 2,625,000 unlisted options were granted to directors in recognition of their services and potential future contribution to Leaf Resources Ltd. These options were approved at the Annual General Meeting on 28 November 2013. A portion of the options were issued in two tranches with the balance vesting immediately. They were issued with an exercise price of $0.10 and expire on 17 December 2017. No consideration was payable in respect of the grant of these options. A proportion of the options vest in the employee in two tranches with 50% vesting if still employed in 12 months and the balance vesting if still employed in 24 months.

The fair value of the equity-settled share options is estimated at the date of granting using the Trinomial Lattice option pricing model taking into account the terms and conditions upon which the options were granted. The following information has been used as the inputs in the pricing models.

	Unvested	Vested
Expected volatility	74%	74%
Risk-free interest rate	3.38%	3.38%
Vesting Dates:	17-12-14	n/a
	17-12-15	n/a
Exercise price	$0.10	$0.10

Based on these inputs, the options were valued at a total of $41,958 at the date of granting, of which the portion of the vesting period falling within the period to 30 June 2014 was expensed to the statement of comprehensive income. All options remain unexercised at 30 June 2014.

Option summary and weighted average exercise prices

Share options and weighted average exercise prices "WAEP" are as follows for the reporting periods presented:

	Number of options 2014	WAEP $ 2014	Number of options 2013	WAEP $ 2013
Outstanding at the beginning of the year	1,400,000	0.13	650,000	0.64
Granted during the year	3,625,000	0.10	1,200,000	0.10
Expired during the year	(200,000)	0.295	(450,000)	0.80
Exercised during the year	-	-	-	-
Outstanding at the end of the year	**4,825,000**	**0.10**	**1,400,000**	**0.13**

Outstanding options

The outstanding balance of options as at 30 June 2014 is represented below.

Grant date	Expiry date	Exercise price	Share options 2014	Share options 2013
15 August 2011	26 April 2014	$0.295	-	200,000
20 December 2012	20 December 2016	$0.10	1,200,000	1,200,000
28 October 2013	20 December 2016	$0.10	1,000,000	-
17 December 2013	17 December 2017	$0.10	2,625,000	-
Total			**4,825,000**	**1,400,000**

The weighted average remaining life of the options outstanding at year end:	3.02 years	3.1 years

23. Events subsequent to balance date

The Company appointed Matthew Morgan on 21 July 2014 as a non-executive director of the company.

The Company held a general meeting of shareholders on 14 July 2014 to approve additional share placements and ratify prior share issues. The meeting also sought approval for the issue of shares to both Dr Jay Hetzel (chairman) and Charles Wilson (non-executive director) as part payment of their directors' fees for the year ended 30 June 2014. All items considered at the meeting were approved and the shares for Dr Hetzel and Mr Wilson were issued on 22 July 2014.

Further share issues have taken place since balance date to sophisticated investors and share based payments to external parties for professional services to be rendered to Leaf Resources.

The Company held another general meeting of shareholders on 28 August 2014 where the company sought approval for a change of company name from Leaf Energy Ltd to Leaf Resources Limited and the election of a new director as mentioned above. The meeting also sought approval for the issue of options to the new director as part of long term incentive program of the company and also to approve the issue of shares to all board members in lieu of directors and executives fees and salaries for part of the year. All items considered at the meeting were approved and at the date of this annual report the issue of equity securities were outstanding.

There are no matters, other than those detailed above, that have arisen since 30 June 2014 to the date of this report which significantly affected the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

24. Related party transactions

Parent Entity
The Parent entity within the group is Leaf Resources Limited. The company is listed on the Australian Stock Exchange with no shareholders exerting significant influence, other than those that are also key management personnel.

Subsidiaries
Interests in subsidiaries are set out in subsidiaries Note 28.

Key Management Personnel
Disclosures relating to key management personnel are set out in Note 8 and also further details are included in the Remuneration Report contained in the Directors' Report.

Transactions with other related parties
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The company engaged the services of Matthew Morgan as a consultant during the year. Subsequent to year end he was appointed as a director of the company. The services were a cost of raising capital and the expense has been recognised directly in equity. Refer also to Note 22.

25. Contingent assets & liabilities

The Group is eligible to claim the R&D tax incentive from the Australian Taxation Office for its research and development eligible expenditure. The Group's current tax asset includes the tax refund estimated to be received from this incentive for the Group's domestic spend for the year ended 30 June 2014.
The current legislative requirements for the incentive require a finding report from AusIndustry on any overseas expenditure before a refund claim can be lodged. During the year the Group undertook trials of its Glycell™ process in the United States and incurred overseas research costs. Consequently, the Group has submitted an expert report on their overseas activities for assessment. The Group's overseas research and development spend equates to an approximate $115,000 tax refund on receipt of the overseas expenditure advanced finding report. This potential refund is contingent on the finding report and not brought to account for the year ended 30 June 2014. Subsequent tax refunds will be accounted for in the year ended 30 June 2015.

The group closed the two bank term deposits held as security for the two unconditional performance bonds issued to the Western Australian Department of Mineral Resources in relation to the Group's mining leases in Karratha. The Mining Rehabilitation Fund was introduced and supersedes the requirement for mining entities to hold performance bonds with the Government. Instead, an annual disturbance fee is payable and consequently the Group's performance bonds were cancelled in February 2014 and the funds have been released to the Group. The Group is required to meet restoration standards on completion of the mining lease tenure to the satisfaction of the Department and in line with the mine closure plan executed.

26. Financial instruments

Capital management
When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The group's capital comprises ordinary share capital supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial assets and adjusting its capital structure in response to changes in these risks and in the market. These responses, where applicable, include raising more equity from shareholders.

Derivative financial instruments
The Group does not currently employ any derivative financial instruments.

Financial risk management policies
The group's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and accounts payable. The main purpose of non-derivative financial instruments is to raise finance for group operations.

i Treasury risk management
The Board of directors meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ii. Financial risk exposures and management

The main risks the group is exposed to through its financial instruments are liquidity risk and credit risk.

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows. Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debtors or otherwise meetings its obligations related to financial liabilities.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There is no material amounts of collateral held as security at balance date. Credit risk is managed and reviewed regularly by the Board of Directors. It arises from exposures to customers and deposits with financial institutions. The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties. All potential customers are assessed for credit worthiness taking into account their size, market position and financial standing

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a change in interest rate will affect future cash flows. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash investments. Surplus funds are invested in interest bearing deposits and are managed by the directors and monitored on a regular basis.

	Weighted average effective interest rate		Floating interest rate	
	2014 %	2013 %	2014 $	2013 $
Financial assets:				
Cash and cash equivalents	2.25	2.39	475,201	477,510
Term deposit held as security	-	4.02	-	84,000
Receivables	-	-	19,092	39,959
Total financial assets			**494,293**	**601,469**
Financial liabilities:				
Trade payables and accruals	-	-	109,832	82,632
Total financial liabilities			**109,832**	**82,632**

Interest rate sensitivity

At 30 June 2014, the Group is exposed to changes in market interest rates through bank deposits at variable interest rates. The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2013: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the market interest rate at reporting date, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year		Equity	
	$	$	$	$
	+1%	-1%	+1%	-1%
30 June 2014	5,044	(4,768)	5,044	(4,768)
30 June 2013	6,163	(6,030)	6,163	(6,030)

Foreign currency risk
Most of the Group's transactions are carried out in AUD. Exposures to currency exchange rates arise from the Group's overseas research and development activities, which are denominated in US dollars (USD). The Group does not enter into forward exchange contracts to mitigate the exposure to foreign currency risk. The Group's risk management procedures for short-term foreign currency cash flows to fund the payment of suppliers in the United States consists of holding a proportion of the estimated foreign currency cash flow in a USD bank account. The USD value of the account is translated into AUD at the prevailing spot exchange rate and at 30 June 2014 had a value of AUD$3,653.

Financial instruments maturity analysis
As the Group has no significant interest-bearing assets other than cash at bank, the Group's income and operating cash flows are not materially exposed to changes in market interest rates. Cash flows from financial assets are expected to be realised as disclosed below, financial liabilities due for payment are also expected to be settled within 1 year. Financial assets and financial liabilities are neither past due nor impaired with the exception of amounts disclosed in Note 11.

		Within 1 year	
	Note	2014 $	2013 $
Financial assets:			
Cash and cash equivalents	21a	475,201	477,510
Term deposit held as security	12	-	84,000
Receivables		19,092	39,959
Total financial assets		**494,293**	**601,469**
Financial liabilities:			
Trade payables and accruals	15	109,832	82,632
Total financial liabilities		**109,832**	**82,632**

Trade payables and provisions are expected to be paid as followed:

	2014 $	2013 $
Less than 6 months	408,813	82,632
6 months to 1 year	132,660	135,247
	541,473	**217,879**

iii. Net fair values
The net fair values of:
- Term receivables, government and fixed interest securities and bonds are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Other assets and other liabilities approximate their carrying value.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities are materially in line with carrying values as disclosed in the statement of financial position.

27. Leasing commitments

The Group leases an office under a non-cancellable operating lease expiring in 12 months with a 12 month option. The commitments for minimum lease payments in relation to this non-cancellable operating lease contracted for but not capitalised in the financial statements are as follows:

	2014	2013
	$	$
Operating lease commitments		
Within one year	28,100	25,584
Later than one year but not later than five years	13,000	10,833
Later than five years	-	-
	41,100	**36,417**

28. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy on consolidation. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the parent of the Group, and the proportion of ownership interests held equal the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name		**Country of**	**Class of**	**Ownership interest**	
Unlisted:	**Principal activities**	**incorporation**	**shares**	**2014 %**	**2013 %**
AQL Mining Pty Ltd	Mining of gravel and general fill	Australia	Ord	100	100
Farmacule BioIndustries Pty Ltd	Research and development	Australia	Ord	100	100
Leaf Sciences Pty Ltd	Intellectual property owner	Australia	Ord	100	100
Leaf Research Pty Ltd	Research and development	Australia	Ord	100	100

29. Parent entity financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Note	2014	2013
		$	$
Financial Position			
Assets			
Current assets		448,944	608,522
Non-current assets	29(i)	1,485,071	1,302,911
Total assets		**1,934,015**	**1,911,433**

Liabilities		
Current liabilities	418,058	101,024
Non-current liabilities	600,100	600,100
Total liabilities	**1,018,158**	**701,124**
Equity		
Issued capital	34,830,856	33,938,584
Reserves	54,530	12,974
Retained losses	(33,969,529)	(32,741,249)
Total equity	**915,857**	**1,210,309**
Financial Performance		
Loss before income tax	(1,318,783)	(714,952)
Income tax refund	90,504	298,812
Total comprehensive loss for the year	**(1,228,279)**	**(416,140)**

	2014	**2013**
	$	**$**
29(i) Non-current assets		
Loans to subsidiaries	1,481,246	1,225,000
Investment in subsidiaries	120	100
Deposits for performance bond	-	75,000
Property, plant & equipment	3,705	2,811
	1,485,071	**1,302,911**

Impairment testing

At each reporting date the parent assesses whether there is any indication that an investment in a subsidiary may be impaired. If any such indication exists, the Group estimates the recoverable amount of the investment. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Due to the impairment losses recognised by the Group for the year ended 30 June 2012 against the intangible assets held by the subsidiary Farmacule BioIndustries Pty Ltd, an impairment loss of $2,422,500 was recognised by the parent entity in operating loss for the year ended 30 June 2012. This impairment loss reduced the carrying value of the line item investment in subsidiaries.

The recoverable amount of the investment in Farmacule was determined to be NIL on a conservative value-in-use calculation as the Group's technologies proceed towards development and commercialisation at 30 June 2014.

Directors' declaration

1. In the opinion of the directors of Leaf Resources Limited:

   (a) the consolidated financial statements and notes, as set out on pages 32 to 66, are in accordance with the Corporations Act 2001:

      (i) giving a true and fair view of its financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and financial controller for the financial year ended 30 June 2014.

3. Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

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.

D J P Hetzel

Dr Jay Hetzel
Chairman
Brisbane, Queensland, Australia
29 August 2014

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Independent Auditor's Report
To the Members of Leaf Resources Limited (formerly Leaf Energy Limited)

Report on the financial report

We have audited the accompanying financial report of Leaf Resources Limited (formerly Leaf Energy Limited) (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion
In our opinion:

a the financial report of Leaf Resources Limited (formerly Leaf Energy Limited) is in accordance with the Corporations Act 2001, including:

i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity requires additional funding to be raised in the equity markets to provide sufficient working capital levels for its ongoing needs and continue as a going concern. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report
We have audited the remuneration report included in pages 14 to 20 of the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Leaf Resources Limited (formerly Leaf Energy Limited) for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Cameron Smith

CDJ Smith
Partner - Audit & Assurance

Brisbane, 29 August 2014

Shareholder information

The ASX additional shareholder information set out below was applicable as at 28 August 2014.

1. Distribution of equity securities:

Analysis of numbers of equity security holders by size of holding:

Distribution is:	Ordinary Shares	
	Shares	Options
1 - 1,000	373	
1,001 - 5,000	224	
5,001 - 10,000	79	
10,001 - 100,000	172	
100,001 and Over	86	6
	934	**6**

2. Unquoted equity securities - Options

	Number on Issue	Number of Holders
Unlisted 17 December 2017	2,625,000	3
Unlisted 20 December 2016	2,200,000	3

3. Quoted equity security holders:

The names of the twenty largest holders of quoted equity securities are listed below:

	Name	Ordinary Shares Number	Ordinary Shares % Issued
1	Warmatt Super Fund	7,500,000	7.60%
2	Omacini Super Fund	5,382,597	5.45%
3	Beech Super Fund	5,000,000	5.07%
4	Ken Richards Super Fund	4,350,000	4.41%
5	Qutbluebox Pty Ltd	4,197,328	4.25%
6	Omacini, Allan John	3,487,537	3.53%
7	TRG Pty Ltd	3,228,571	3.27%
8	Kellen Pty Ltd	3,150,000	3.19%
9	Begley	2,900,000	2.94%
10	Jetan Pty Ltd	2,850,286	2.89%
11	Baker, A B and Phan, P	2,840,600	2.88%
12	JJ Hetzel Super Fund	2,683,475	2.72%
13	L&S Wakefield Super Fund	2,571,428	2.61%
14	Growth Cap WA Pty Ltd	3,750,000	3.80%
15	Ubs Wealth Mgnt Aust	2,006,856	2.03%
16	Papua Coal Pty Ltd	2,000,000	2.03%
17	McMullan, Lyn Andrea	1,637,530	1.66%
18	Auro Pty Ltd	1,428,572	1.45%
19	Hannebery, Richard	1,428,571	1.45%
20	Mesoamerica Sugar Corp	1,389,260	1.41%
		63,782,611	63.22%

4. Substantial holders

The number of shares held by substantial shareholders with a holding of greater than 5% is set out below:

Shareholder	Number of Ordinary Shares	Percentage Held
Ken Richards	11,250,000	11.4%
Alan Omacini	8,870,134	9.0%
Russell Charles Wilson	8,571,071	8.7%
Michael Beech	5,000,000	5.1%

5. Voting rights

There are no restrictions on voting rights attached to the ordinary shares on issue. On a show of hands, every member present in person shall have one vote and upon a poll, every member present in person or by proxy shall have one vote for every share held.

The options have no voting rights.