



LEAF RESOURCES LIMITED

Sustainable products from plant biomass

Appendix 4D – Half Year Report

31 December 2014

ABN 18 074 969 056

Appendix 4D – Half Year Report

Leaf Resources Limited (formerly Leaf Energy Ltd)

ABN 18 074 969 056

Reporting period:

Year Ended 31 December 2014

Previous reporting period:

Year Ended 31 December 2013

Results for announcement to the market

Key Information

				\$'000
Revenue from ordinary activities	Up	N/A	to	8
Profit (Loss) from ordinary activities after tax attributable to members	Up	48%	to	(1,065)
Profit (Loss) for the period attributable to members	Up	48%	to	(1,065)

The Group's operating loss after the R&D income tax refund for the year ended 31 December 2014 amounted to \$1,065,162 (31 December 2013 – \$717,861).

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 period ended 31 December 2014.

Net Tangible Assets

	Current Year	Previous Year
Net tangible asset backing per ordinary share	1.42 cents	0.69cents

Auditor's review report

The review report prepared by the independent auditor Grant Thornton is not subject to any dispute or qualification, and is provided with the half year financial statements.



LEAF RESOURCES LIMITED

Sustainable products from plant biomass

**INTERIM FINANCIAL
REPORT**

**For the half year ended
31 December 2014**

ABN 18 074 969 056

Contents

Corporate Directory.....	4
Directors' Report.....	5
Auditor's Independence Declaration	11
Interim Consolidated Financial Statements	
Consolidated Statement of Comprehensive Income	12
Consolidated Statement of Financial Position.....	13
Consolidated Statement of Changes In Equity	14
Consolidated Statement of Cash Flows	15
Notes to the Financial Statements	16
Directors' Declaration	25
Independent Review Report.....	26

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:	Link Market Services Limited Level 15, 324 Queen St Brisbane, Queensland, Australia 4000
Solicitors:	Corrs Chambers Westgarth Waterfront Place 1 Eagle Street, Brisbane, Queensland, Australia 4000
ASX Code:	LER
Website:	www.leafresources.com.au

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 period ended 31 December 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
Ken Richards	Managing director – Appointed 1 August 2011 Non-executive director – Appointed 31 August 2007
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
Matthew Morgan	Non-executive director – Appointed 21 July 2014 Chair of the audit committee – Appointed 11 August 2014

Review of Operations and Financial Results

The operating loss of the Group increased to \$1,065,162 for the period (31 December 2013 – \$717,861) due to the increased research activities and progression of the commercialisation objectives for our proprietary Glycell™ process.

Leaf Resources' Glycell™ process is a proprietary technology that is an essential first step of the biorefining process (pretreatment) in breaking down biomass into its constituent parts (cellulose, hemicellulose and lignin) prior to being converted into marketable products such as are biobased chemicals, bioplastics and other renewable products.

Leaf Resources is now actively engaged, marketing the major benefits of the Glycell™ process to the many companies seeking what we produce; cheap; clean cellulosic sugars. The key benefit of our process is the lower net cost of the cellulosic sugars we can deliver, with our sugars estimated to cost 35% less than other current major processes, a decrease from \$230/per ton to \$150/per ton¹.

Business Development Update

- Leaf Resources has signed 4 Material Transfer Agreements (MTAs). These agreements facilitate the exchange of pretreated biomass or cellulosic sugars derived from the Glycell™ process for testing and evaluation by the recipient companies, a necessary precursor to commercial negotiations. These agreements include confidentiality and IP protection clauses to protect Leaf Resources' intellectual property.
- We are in discussion with another 3 companies on MTA's for cellulosic sugars.

¹ Estimate calculated using assumptions as published by Lux Research and applied in Leaf's technoeconomic model.

Directors' report

- We have signed 3 Confidentiality Agreements (CA). A CA allows Leaf Resources to provide our comprehensive data pack on the Glycell™ process to companies for evaluation.
- Collaboration Agreement with ZeaChem

This agreement is progressing well with testing at Andritz being successfully completed. We are now waiting on final analytical results, which will allow us to plan the integration of our Glycell™ process in ZeaChem's demonstration facility at Boardman, Oregon. Results already published, have detailed the successful processing of Poplar, ZeaChem's chosen feedstock for their Boardman plant.

- Other Business development activities

Our business development activities are focused on discussions with targeted companies and lifting the technology profile. Leaf Resources management will be attending two key conferences in March 2015, including Advanced Bio-economy Leaders Conference in Washington DC and World BioMarkets in Amsterdam.

Public Profiling

- Leaf Resources presented at the Advanced Bio-economy Leaders Conference (ABLCnext) in San Francisco during November 2014. Following the conference, the following comments were published in the Biofuels Digest by Jim Lane, the Editor, and the conference organiser:-

"What's Up? Sugars are the new oil if sugars can be cheap enough to replace the old oils. Leaf Resources think they have cracked a part of that puzzle with massively advantaged yields for C6 sugars.

Why Hot? The absence of competition – only a handful of companies have technology for breakthroughs on sugar costs – Here's the wonder from Down Under."

- Leaf Resources were a finalist in the National Banksia Sustainability Awards for Innovator of the Year in November 2014
- Leaf Resources also presented at 2014 BIO Pacific Rim Summit on Industrial Biotechnology and Bioenergy in December 2014 at San Diego, California

What is Biorefining and how large is the Opportunity?

"Biorefining is the sustainable processing of biomass into a spectrum of marketable products including; biobased chemicals, bioplastics and biofuels.

The potentially large scale of the biorefining opportunity is not well understood in Australia.

World-wide there is an estimated 5 billion tons of agricultural waste and this represents a massive, potential resource for biorefineries. This is enough biomass for over 3 billion tons of cellulosic sugars worth an estimated \$750 billion at \$250 per tonne.

A report commissioned by the Australian Government, identified the potential for 10 – 15 biorefineries of 1 million bone dry tons in temperate Australia alone². In addition, another report showed that tropical Australia has sufficient biomass to support a further 6 to 8 biorefineries of a similar size³. The potential for biomass as a resource for biorefineries in equatorial regions, the large agricultural areas of the USA, India and China and Northern Europe is significantly larger than the Australian opportunity.

The Demand for Biobased Products:

Whilst a significant biomass resource is available, the other side of the ledger is the demand for the final product produced from that resource. The key products produced by biorefineries are biobased chemicals (chemicals derived from biomass that can replace petroleum derived chemicals), bioplastics and biofuels.

- **Biobased chemicals** are experiencing a compound average growth rate of 20% with the consequence that the market is expected to exceed \$500 billion by 2017. In the longer term, biobased chemicals are predicted to grow to 22% of the \$4 trillion chemical market. Worldwide chemical companies such as Dupont and Procter and Gamble have a stated corporate goal that 25% of their sales will be biobased by 2020.

Cellulosic sugars can provide the input for many biobased chemicals and the ability to produce economical, clean sugars from biomass (as our Glycell™ process does) is commercially very important.

- **Biobased plastics** are able to replace 80% - 90% of petroleum based plastics and therefore represent a large growth opportunity. Accordingly, demand is expected to grow strongly from a small base of 3.5 M tonnes, (a \$2 billion market) compared with the fossil based plastics market which is some 75 times larger at 265 M tonnes.

Coca Cola has as a goal the complete replacement of petroleum based plastics for its bottling operations and many other companies have similar goals for their packaging requirements. Cellulosic sugars are a feedstock for many biobased plastics.

- In the biofuels markets the continuing pressure of the food for fuel debate opens up the use of cellulosic sugars as the feedstock for ethanol replacing corn and sugar as the input. With over 200 ethanol plants in the USA alone, this represents a large opportunity.

What the Future Holds for Leaf Resources

In the next 12 months our attention is focused on licensing, Joint Ventures and collaborations. Our business strategy has four key targets:

- **Paper and Pulp market.** Paper and pulp companies generally have access to biomass, they are strategically keen to embrace biobased markets and they understand our process because it utilises equipment they already use. Leaf Resources' will utilise these advantages to establish the Glycell™ process in this market.
- **Retrofit opportunities:** We have identified a limited number of opportunities and an economic model to retrofit the Glycell™ process into existing operations.

² Parratt and Associates, Scoping Biorefineries – temperate biomass value chains.

³ Corelli Consulting Biorefinery scoping study: tropical biomass.

Directors' report

- **To sell the Glycell™ process, as a bolt-on plant to an existing ethanol plants:** With the sharp fall in oil prices, the economics of existing ethanol plants has weakened. The increased pressure on the use of corn for fuels and the green credentials of corn ethanol provides an opportunity to sell the Glycell™ process, as a bolt-on plant to existing ethanol plants.
- **Renewable Chemicals:** We have established contact with companies in the renewable chemicals markets and will work with them to establish projects through Joint Ventures or licensing that make economic sense. We are looking at prospective projects in Australia.

Rival processes

Lux Research is an independent research and advisory firm, providing strategic advice and ongoing intelligence on emerging technologies. In their 2013 report entitled "Cellulosic Chemicals and Fuels Race to Compete with First-Gen Sugars Economics" it was stated that: "**unlocking explosive growth in lignocellulosic chemicals/fuels requires inexpensive conversions**" and they identified 5 key conversion technologies currently in use. The table below is the estimated sugar costs (biomass at \$70 BDT).

Technologies	Cost of sugars
Dilute acid	\$0.23/kg
Ammonia fibre explosion	\$0.25/kg
Steam explosion	\$0.26/kg
Supercritical fluid	\$0.22/kg
Concentrated acid	\$0.18/kg

We have estimated the sugar costs for our Glycell™ process using the same assumptions as the Lux Research report at \$0.15/kg, which given the slightly higher biomass assumption is consistent with our previous announcement of 5c/lb at \$55/BDT (there are 2.2 lbs. per kilo).

Dilute acid is a common process used as pretreatment and together with steam explosion represent the major competition to the establishment of the Glycell™ process. Based on the Lux numbers, Leaf Resources Glycell™ process has at least an \$80 per ton operating cost advantage over major competitive technologies.

Lux Research recently included Leaf Resources on their database. Their summary was:

"Clients should continue to monitor scale up progress, as cost and performance claims provide advantages over existing technologies (steam explosion dilute acid etc.)"

Technology Development

Our technology continues to be improved. Progress over the last 6 months include:

- **Commercially available process to recycle the glycerol:** We have identified, and are currently testing, a commercially available process to recycle the glycerol used in the Glycell™ process. Initial testing has established proof of concept, which is encouraging. We will now proceed to testing at pilot scale and optimisation.
- **Increasing the efficiency and economics of the Glycell™ process:** We have been able to decrease the processing time in the main reactor, which allows for a 20% greater throughput. This increases considerably the efficiency and economics of the Glycell™ process;

Directors' report

- **Adapting our process to suit the Corrugated Cardboard Market:** We have developed a variant of the Glycell™ process, that, produces a prototype cellulose pulp that is potentially suitable for use in the corrugated cardboard market;
- **Testing on common bacteria and yeast:** Tests of our cellulosic sugar samples on common industrial bacteria and yeast will commence early in March 2015. The results from this testing will provide us with important base data for prospective users.

Syngenta/QUTBluebox

Agreements have been signed, finalising this previous collaboration and the licensing arrangements with QUT Bluebox. There are minimal ongoing obligations for Farmacule Bioindustries Pty Ltd, Leaf Resources' wholly owned subsidiary.

Funding

Over the past 6 months, Leaf Resources' presence in the share market has grown, with our story and future prospects gaining some traction. This has been assisted by presentations at the Microcap conference in Melbourne in October 2014; Wholesale Investor conferences in Melbourne, Brisbane, Sydney and Singapore; and a comprehensive roadshow to brokers in Perth, Melbourne, Sydney and Adelaide.

We have been supported by our corporate advisers, Lodge Capital who have been ably assisted by Gordon Capital. This increased presence enabled Leaf Resources to raise \$1,707,000 late in 2014 at \$0.15.

Conclusion

2015 will be a significant year for Leaf Resources, as we progress the commercialisation of our proprietary Glycell™ process. Biorefining represents a big opportunity and we are already speaking to a number of quality companies. As stated earlier, the next 12 months will be focused on negotiations leading to licensing deals, Joint Ventures and key national and international collaborations.

Rounding of amounts

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

Auditor's independence declaration

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

Directors' authorisation

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



Dr Jay Hetzel
Chairman
Brisbane, Queensland, Australia
26 February 2014



Ken Richards
Managing director
Brisbane, Queensland, Australia
26 February 2014

Grant Thornton Audit Pty Ltd
ACN 130 913 594

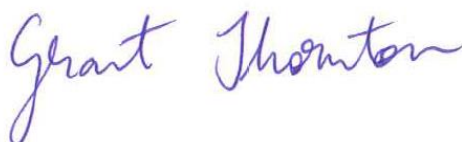
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**Auditor's Independence Declaration
To The Directors of Leaf Resources Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Leaf Resources Limited for the half-year ended 31 December 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



CDJ Smith
Partner - Audit & Assurance

Brisbane, 26 February 2015

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Consolidated statement of comprehensive income

		31 December 2014 \$	31 December 2013 \$
	Notes		
Revenue		7,809	-
Other income		6,547	9,407
Mining lease expenses		(882)	(10,528)
Depreciation, amortisation and impairment		(1,257)	(839)
Employee benefits expense		(269,662)	(171,764)
Directors' & officers' fees & CEO		(257,401)	(246,957)
Office administration		(58,098)	(39,968)
Professional fees		(74,610)	(16,269)
Corporate and investor costs		(105,338)	(32,580)
Travel and accommodation		(114,420)	(68,288)
Research and development		(256,715)	(115,897)
Patent and licence fees		(17,709)	(24,178)
Other expense		(36,576)	-
Loss before income tax		(1,178,312)	(717,861)
Income tax (expense)/income	4	113,150	-
Loss for the period from continuing operations		(1,065,162)	(717,861)
Loss from discontinued Operations		-	-
Loss for the period		(1,065,162)	(717,861)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,065,162)	(717,861)
Earnings Per Share			
From continuing operations			
Basic loss per share (cents)	5	(1.07)	(1.29)
Diluted loss per share (cents)	5	(1.07)	(1.29)

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

Consolidated statement of financial position

		31 December 2014 \$	30 June 2014 \$
	Notes		
CURRENT ASSETS			
Cash and cash equivalents		1,778,773	475,201
Trade and other receivables	7	138,792	53,114
Current tax assets	4	115,216	90,504
TOTAL CURRENT ASSETS		2,032,781	618,819
NON-CURRENT ASSETS			
Property, plant and equipment		4,501	3,705
Other financial assets		24,783	-
TOTAL NON-CURRENT ASSETS		29,284	3,705
TOTAL ASSETS		2,062,065	622,524
CURRENT LIABILITIES			
Trade and other payables	8	266,084	109,832
Employee benefits	9	84,331	331,641
Provisions		100,000	100,000
TOTAL CURRENT LIABILITIES		450,415	541,473
NON-CURRENT LIABILITIES			
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		450,415	541,473
NET ASSETS		1,611,650	81,051
EQUITY			
Issued capital	10	37,401,913	34,830,856
Reserves	11	79,234	54,530
Accumulated losses		(35,869,497)	(34,804,335)
TOTAL EQUITY		1,611,650	81,051

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 2014	34,830,856	(34,804,335)	54,530	81,051
Loss for the period	-	(1,065,162)	-	(1,065,162)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	(1,065,162)	-	(1,065,162)
Transactions with owners in their capacity as owners				
Issue of share capital	2,406,206	-	-	2,406,206
Share issue transaction costs	(149,635)	-	-	(149,635)
Adviser's issued capital share based payments	104,813	-	-	104,813
Director's issued capital share based payments	156,020	-	-	156,020
Employee issued capital share based payments	50,229	-	-	50,229
Employee share based payments options	-	-	28,128	28,128
Transfer relating to options expired	3,424	-	(3,424)	-
Total transactions with owners	2,571,057	-	24,704	2,595,761
At 31 December 2014	37,401,913	(35,869,497)	79,234	1,611,650
At 1 July 2013	33,938,584	(33,275,952)	12,974	675,606
Loss for the period	-	(717,861)	-	(717,861)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	(717,861)	-	(717,861)
Transactions with owners in their capacity as owners				
Issue of share capital	435,659	-	-	435,659
Share issue transaction costs	(12,700)	-	-	(12,700)
Employee share based payments options	-	-	25,984	25,984
Total transactions with owners	422,959	-	25,984	4,489,943
At 31 December 2013	34,361,543	(33,993,813)	38,958	406,688

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

	31 December 2014 \$	31 December 2013 \$
Net cash flows from operating activities		
Receipts from customers	-	19,898
Payments to suppliers & employees	(1,021,148)	(591,457)
Interest received	6,547	8,674
Income tax refund	88,438	270,940
Net cash used in operating activities	(926,163)	(291,947)
Cash flows from investing activities		
Payment for plant & equipment	(2,053)	(2,039)
Purchase of other financial assets	(24,783)	-
Net cash provided by investing activities	(26,836)	(2,039)
Cash flows from financing activities		
Proceeds from issue of shares	2,406,206	435,659
Share issue transaction costs	(149,635)	(12,700)
Net cash provided by (used in) financing activities	2,256,571	422,959
Net (decrease)/increase in cash and cash equivalents	1,303,572	128,973
Cash and cash equivalents at the beginning of the period	475,201	477,510
Cash and cash equivalents at the end of the period	1,778,773	606,483

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 interim consolidated financial statements of Leaf Resources Limited (the 'Parent') for the half-year ended 31 December 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 six months ended 31 December 2014 and are presented in Australian dollars (\$), which is the functional currency of the parent company.

These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with AIFRS, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2014 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Stock Exchange Listing Rules and the Corporations Act 2001.

The interim financial statements were authorised for issue on 26 February 2015 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 continued to progress the commercialisation objectives for its proprietary technology and is pursuing these on a global scale with the appointment of a Business Development executive in the United States. The Group continues to also undertake 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 based on the achievements in the period in the equity markets. 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.

Notes to the financial statements

2. Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2014.

The accounting policies have been applied consistently throughout the Group for the purpose of the preparation of these interim financial statements.

3. Estimates

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

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2014.

4. Income tax

Current tax assets	Note	31 December 2014 \$	31 December 2013 \$
Balance at beginning of the period		90,504	270,940
Adjustment to R&D tax incentive during the period		(2,066)	-
Income tax refund received		(88,438)	(270,940)
R&D tax incentive refund receivable	13	115,216	-
Balance at end of the period		115,216	-
Adjustment to R&D tax incentive during the period		(2,066)	-
Income tax income (expense)		113,150	-

The consolidated entity 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.

5. Earnings per share

Both the basic and diluted loss per share have been calculated using the total comprehensive loss for the period as the numerator, i.e. no adjustments to the loss were necessary for the period.

	31 December 2014 Number	31 December 2013 Number
Weighted average number of ordinary shares		
Used as the denominator in calculating basic earnings per share and diluted earnings per share*	99,667,789	55,811,474

Notes to the financial statements

* The weighted average number of ordinary shares, disclosed above for the period ended 31 December 2013, has been adjusted to reflect the impact of the rights issue which took place during that period, as required by Accounting Standards.

Calculation of dilutive EPS

As at 31 December 2014 there are 5,250,000 (2013: 5,025,000) unlisted options on issue which were not included in the calculation of diluted earnings per share due to being anti-dilutive.

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

6. 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 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 maintained by this segment includes patents and licences granted in Australia and foreign countries.

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.

Notes to the financial statements

Segment information for the reporting period is as follows:

6 month period ending 31 December	Gravel 2014 \$	R&D 2014 \$	Total 2014 \$	Gravel 2013 \$	R&D 2013 \$	Total 2013 \$
Revenue (external)						
Australia – licensing	-	-	-	-	-	-
Australia – gravel sales	7,809	-	7,809	-	-	-
Canada – licensing	-	-	-	-	-	-
Segment & group revenue	7,809	-	7,809	-	-	-
Interest income	1,586	5	1,591	1,918	447	2,365
Other income	-	-	-	-	-	-
Mining Lease Expenses	(882)	-	(882)	(10,528)	-	(10,528)
Employee benefits expense	-	(154,262)	(154,262)	-	(104,895)	(104,895)
Office administration	(155)	(715)	(870)	(2,018)	(6,909)	(8,927)
Professional fees	(11,366)	(5,000)	(16,366)	(3,610)	1,950	(1,660)
Statutory fees	(243)	(243)	(486)	(236)	(236)	(472)
Travel and accommodation	(26)	(43,300)	(43,326)	-	(27,826)	(27,826)
Research and development	-	(256,715)	(256,715)	-	(115,897)	(115,897)
Patent and licence fees	-	(17,709)	(17,709)	-	(24,178)	(24,178)
Segment operating profit or loss	(3,277)	(477,939)	(481,216)	(14,474)	(277,544)	(292,018)
Segment assets	741,688	23,527	765,215	743,383	126,170	869,553
Segment liabilities	126,174	1,655,572	1,781,746	110,673	1,437,797	1,548,470

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

	31 December 2014 \$	31 December 2013 \$
Total reportable segment operating profit or (loss)	(481,216)	(292,012)
Other income not allocated	4,956	7,048
Corporate overhead	(702,052)	(432,885)
Group operating loss before income tax	(1,178,312)	(717,861)
Total reportable segment assets	765,215	869,552
Consolidation	(602,234)	(600,100)
Corporate headquarters	1,899,084	481,106
Group assets	2,062,065	750,558
Total reportable segment liabilities	1,781,746	1,548,470
Consolidation	(1,506,300)	(1,375,000)
Corporate headquarters	174,969	170,400
Group liabilities	450,415	343,870

Notes to the financial statements

7. Trade and other receivables

	31 December 2014	30 June 2014
	\$	\$
Trade receivables	-	-
Other debtors	15,912	8,937
GST receivable	15,569	10,155
Prepayments	89,072	24,243
Deposit landlord	4,166	4,166
Accrued income	14,073	5,613
Total trade and other receivables	138,792	53,114

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. As at 31 December 2014 no debts were considered doubtful, therefore no allowance was raised.

8. Trade and other payables

	31 December 2014	30 June 2014
	\$	\$
Trade payables	191,908	39,361
Accruals	22,185	63,865
Other payables	19,808	6,606
Employment taxes and super	32,183	-
	266,084	109,832

The carrying values of trade and other payables are considered to be a reasonable approximation of fair value and are all short-term payables. Employment obligations were paid prior to 30 June 2014.

9. Employee benefits

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

	31 December 2014	30 June 2014
	\$	\$
Leave entitlements	84,331	65,319
Accrued directors' salaries	-	86,322
Accrued bonuses payable	-	180,000
	84,331	331,641

The current portion of these liabilities represents the Group's obligations to its current employees that are expected to be settled during the coming 12 months.

Notes to the financial statements

10. 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.

	31 December 2014 Number	31 December 2014 \$	30 June 2014 Number	30 June 2014 \$
Movements in ordinary share capital				
Balance at beginning of financial year	73,737,292	34,830,856	46,727,029	33,938,584
Net share issue	31,357,320	2,256,571	27,010,263	888,472
Employee & directors share based payments	5,892,813	206,249	-	-
Adviser's share based payments	2,369,642	104,813	-	-
Expired employee options	-	3,424	-	3,800
Total issued ordinary share capital	113,357,067	37,401,913	73,737,292	34,830,856

The Company issued shares to investors in July, August and November 2014 utilising the share placement facility under ASX listing rule 7.1 and 7.1A. During the period further shares were issued to directors which were approved at the General Meetings held on 14 July and 28 August 2014.

The purpose of the share placements during the period was to provide additional working capital for the commercialisation of the Group's Glycell™ process and to continue the research and development of the Group's intellectual property. Further, the shares issued in lieu of cash fees to directors, advisers and for staff bonuses was to conserve the Group's cash position to assist with general working capital needs.

11. Reserves

	Note	31 December 2014 \$	30 June 2014 \$
Employee equity-settled benefits reserve		79,234	54,530
Movements:			
Balance at beginning of the period		54,530	12,974
Cost of share-based payment		28,128	45,356
Expiry of options under ESOP		(3,424)	(3,800)
Balance at end of the period		79,234	54,530

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 12 Share Based Payments for further details of these plans.

Notes to the financial statements

12. Share based payments

During the period the Group undertook share based payment arrangements for directors, advisers 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 period were as follows:

	31 December 2014 \$	30 June 2014 \$
Employee share option plan	8,130	17,867
Options issued to directors	19,998	27,489
Shares issued to advisers	57,543	-
Shares issued to directors	109,700	-
	<u>195,371</u>	<u>45,356</u>

Employee Share Options Granted

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. The value of those options is expensed across the vesting period. During the period further options were granted to employees and directors as set out in the sections below.

On 16 October 2014, 250,000 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. No consideration was payable in respect of the grant of these options.

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	Year 0 – 130%
	Year 1 – 60%
	Year 2 – 40%
	Year 3 – 30%
Risk-free interest rate	2.52%
Vesting Date	16-10-15
Exercise price	\$0.11

Based on these inputs, the options were valued at a total of \$6,811 at the date of granting, of which the portion of the vesting period falling within the period to 31 December 2014 was expensed to the statement of comprehensive income. All options remain unvested at 31 December 2014.

Directors Share Options Granted

On 3 September 2014, 375,000 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 General Meeting of shareholders on 28 August 2014. No consideration was payable in respect of the grant of these options.

Notes to the financial statements

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.

Expected volatility	Year 0 – 130%
	Year 1 – 60%
	Year 2 – 40%
	Year 3 – 30%
Risk-free interest rate	2.73%
Vesting Date	03-09-14
Exercise price	\$0.10

Based on these inputs, the options were valued at a total of \$11,375 at the date of granting, of which the full amount was expensed to the statement of comprehensive income. All options remain unexercised at 31 December 2014.

Outstanding options

The outstanding balance of options as at 31 December 2014 is represented below.

Grant date	Expiry date	Exercise price	Option Status	Share options 31 December 2014	Share options 30 June 2014
20 December 2012	20 December 2016	\$0.10	100% vested	1,000,000	1,200,000
28 October 2013	20 December 2016	\$0.10	100% vested	1,000,000	1,000,000
17 December 2013	17 December 2017	\$0.10	72% vested 28% granted	2,625,000	2,625,000
3 September 2014	3 September 2018	\$0.10	100% vested	375,000	-
16 October 2014	16 October 2018	\$0.11	Granted	250,000	-
Total				5,250,000	4,825,000

Vested and exercisable at 31 December 2014 at \$0.10 exercise price **4,250,000**

13. 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 overseas expenditure for the year ended 30 June 2014. This was previously disclosed as a contingent asset as the refund was contingent on receiving an advanced finding report from AusIndustry. The Group has since received confirmation of the success of the advanced finding resulting in an \$115,216 tax refund being recognised during the period ended 31 December 2014.

Notes to the financial statements

14. Events subsequent to balance date

Since the end of the period the Group has received an advanced finding from AusIndustry confirming the overseas research and development expenditure incurred by the Group for the Glycell™ project is claimable under the R&D Tax Incentive program. The Group have since lodged an amended income tax return for the year ended 30 June 2014 claiming a tax refund for the incentive. Refer to Note 13 for further commentary.

There are no matters, other than those detailed above, that have arisen since 31 December 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.

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 11 to 24, are in accordance with the Corporations Act 2001:
 - (i) giving a true and fair view of its financial position as at 31 December 2014 and of its performance for the half- year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting; 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 half- year ended 31 December 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.



Dr Jay Hetzel
Chairman
Brisbane, Queensland, Australia
26 February 2014

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Independent Auditor's Review Report To the Members of Leaf Resources Limited

We have reviewed the accompanying half-year financial report of Leaf Resources Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Leaf Resources Limited consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Leaf Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

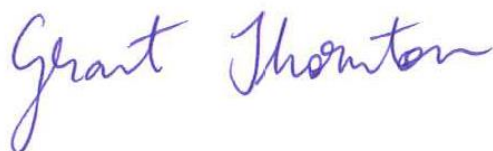
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Leaf Resources Limited is not in accordance with the Corporations Act 2001, including:

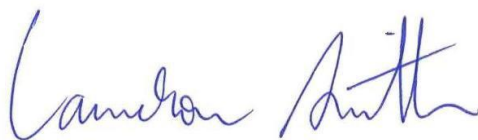
- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of matter

Without qualifying our conclusion, 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.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



CDJ Smith
Partner - Audit & Assurance

Brisbane, 26 February 2015