Leaf Resources

2016 Annual Report

16

Sustainable Products

From Plant Biomass

“WE ARE WORKING TO COMPLETELY ELIMINATE THE USE OF NON-RENEWABLE FOSSIL FUELS IN OUR PLASTIC BOTTLES”

– Coca Cola

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A message from the

Chairman

Dear Shareholder,

It is with pleasure that I report on Leaf Resources' activities for the last twelve months and the progress made on our previously announced commercialisation strategies, for our flagship Glycell™ process.

The year's activities culminated in the signing in July 2016 of a global partnership agreement with Claeris LLC of Dallas, a successful renewables project developer, to build up to five biorefineries.

The principals of Claeris have considerable experience in developing and negotiating financing for renewable chemical projects. They are also extremely well credentialed and connected within the world-wide renewable market. By partnering with an experienced project developer such as Claeris, the Leaf Resources' Board believes we have accelerated the development of revenue generating projects, reduced the financing risk and that we will achieve better commercial outcomes. The partnership represents a major milestone in the technology development and commercialisation path that Leaf Resources has embarked upon.

It is especially gratifying that Claeris, after searching the world to find the right technology for renewable chemical projects discovered Leaf Resources. It is also testament to the considerable work over the last 12 months, that Leaf Resources was able to satisfy the extensive requirements of due diligence conducted by Claeris, and especially that our Glycell™ process is ready for commercialisation and able to support the necessary financing arrangements that come with any large construction project.

This agreement with Claeris adds to previously announced agreements with Monaghan Mushrooms, ZeaChem and the innovative work done on removing Silica from rice husk, thereby positioning Leaf Resources with an attractive and valuable list of potential projects.

Over recent years, our goal has been to develop the Glycell™ process as a flexible, robust, efficient platform for the production of sugars from a range of biomasses that are available in large quantities and at low cost. In parallel, we are enhancing the process by maximising the value of coproducts/waste streams. We have had great success to date and have now reached the point where commercialisation with the strategic partners detailed above, and utilizing various biomass streams has commenced.

I would like to take this opportunity to acknowledge the exceptional efforts of our small and committed team at Leaf Resources, without whom we would not be where we are. I would also like to thank our shareholders for their support and patience as our technology progresses towards commercialisation. We can all look forward to an exciting next 12 months as the various partnerships detailed progress.

Jay Hetzel

Dr Jay Hetzel
Chairman

CEO REPORT

Shaping a successful future

The last 12 months has been a period of significant progress for Leaf Resources that places us in an ideal position to capitalise on the global shift away from traditional petrochemical manufacturing towards a more sustainable basis.

A new era for Leaf Resources was marked with the announcement of a joint venture (JV) agreement with US-based project developer Claeris LLC in July 2016. Claeris is world-class project developer, based in Dallas, Texas, with a track record of delivering large-scale, financially successful, renewable projects.

The JV, to develop up to five renewable chemical plants using our Glycell™ technology, will accelerate Leaf's project development timeline and puts the Company firmly on the path of our next phase of growth.

Claeris' selection of Leaf Resources as its JV partner and subsequent US$500,000 investment, provides further validation of the Glycell™ process. The Glycell™ process continues to gain traction across the world at a time when there is an ever growing demand for environmentally friendly alternatives to the use of fossil fuels. Details on the Claeris transaction can be found in our ASX announcement of the 20th July 2016.

Claeris, with their considerable project development skills, becomes a key global partner to help advance the use of Glycell™to transform the chemical sector into a green and sustainable industry.

One of Leaf Resources' great strengths is the expertise of our technical team who continues to demonstrate their innovation capabilities that provide ever growing opportunities to commercialise the Glycell™ process. There is no better example of this than the recently lodged patent application for extracting silica from rice husk. Great innovative science with practical nous, leading to a process that can extract commercially valuable silica from rice husk together with valuable byproducts, leaving the rice husk as a cheap input for processing through the Glycell™ process. This technology presents another exciting opportunity for our Company to pursue in the future.

The Company continues to strengthen its position to pursue the growth opportunities available to us in the 2017 financial year. In particular, continued marketing to the financial markets are making them more aware of the potential Leaf Resources offers and the size of the opportunity for which our technology can be utilized. During the year we raised $3,217,027.

The Research and Development Income tax refund continues to be of importance to Leaf Resources and is an excellent government scheme supporting Australian Innovation.

Game changing technology for renewable chemicals

CLAERIS LLC

The Claeris joint venture presents a game changing opportunity for the Company. Claeris has already identified large scale project development opportunities using palm oil biomass in Asia and hardwood in the United States, which are expected to progress rapidly over the coming months.

Key points of the deal:

- The two companies will establish a joint venture to be called Leaf Development LLC to develop up to five renewable chemical projects
- Leaf will provide ongoing funding for permitting, engineering, management, consulting fees and other development costs in return for increased equity ownership of up to 75%
- Projects will operate under a Develop, License and Own (DLO) model under which Leaf should enjoy license related revenues as well as a "free carry" in each of the operating projects
- Claeris has invested US$500,000 in Leaf Resources via a placement

Leaf announces joint venture with world class developer, Claeris

Renewable alternatives our focus

ZEACHEM INC

Leaf Resources continues to explore multiple opportunities with ZeaChem Inc. to combine ZeaChem's biorefinery engineering experience and our Glycell™renewable chemical technology. Leaf currently owns 13% of ZeaChem with the potential to increase to 45%.

Leaf Resources has proposed a solution for utlising fermentation capacity at ZeaChem's Boardman plant that could see that plant become a small, profitable commercial plant. This opportunity is currently being explored in more detail.

The JV with ZeaChem, which has been excluded from the Claeris transaction, is another opportunity where the combined expertise of the two companies could be utilised.

MONAGHAN

The Monaghan MOU not only provides a potentially cheap source of feedstock for a viable renewable chemical plant but will also solve a disposal problem for the spent mushroom compost, which Monaghan currently pays to discard.

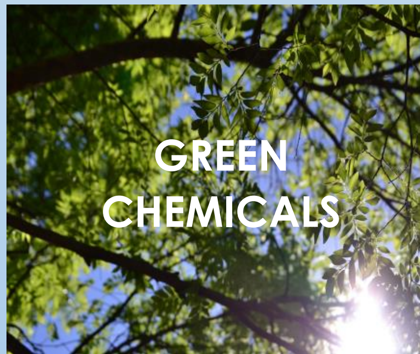
- Following successful completion of phase one, the two Companies have moved to stage two of the MOU which will involve a larger scale pilot testing program
- In the independent testing for phase 1 the Glycell™ process continued to outperform our major rival process, dilute acid, producing 25% more sugars than the dilute acid control.
- The Monaghan MOU has been excluded from the Claeris transaction.

RICE HUSK PATENT OPPORTUNITY

Building stronger bonds, naturally

Leaf has developed a technology for extracting silica from organic material, including rice husk and straw, for which a provisional patent was lodged in June 2016.

- Testing is being undertaken to evaluate the exact quality of the silica that can be extracted from the rice husk
- High grade silica can be used in the manufacture of microchips, a US$300 billion industry, while lower grades are used in specialty metals and alloys
- Rice husk (post silica extraction) also presents a potentially new, large economical source of biomass for Leaf Resources as an input into the Glycell™ process
- One project on rice husk in Australia and one elsewhere in the world have been excluded from the Claeris transaction



EXTRACTING SILICA

HIGHLIGHTS

START

Glycerol recycling reduces cellulosic sugar costs

Research agreement with major agricultural group

MOU with Norske Skog

Scoping study for renewable chemical project

ZeaChem Joint Venture

Leaf & Andritz Glycell evaluation on EFB

2017

Five Renewable Chemical Projects

Looking Ahead

Leaf Resources has a clearly defined, profitable and secure path to commercialisation. The next 12 months will see us focus on delivering a series of identifiable renewable chemical projects with the following milestones identified:

Claeris JV project 1:
Development work has already commenced for the location of a site, biomass sources and key project partners. Both companies expect to commence a bankable feasibility study in the first quarter of 2017.

ZeaChem Boardman:
The establishment of Boardman as a small commercial plant is the key priority, as it will provide a sound base for the growth of ZeaChem.

Monaghan JV:
Phase 2 of the Monaghan JV has commenced and this is expected to be completed by mid-2017 at which point the companies will commence a bankable feasibility study.

Claeris JV project 2:
Work is expected to begin on the identification and scoping of a second project under the Claeris joint venture in mid-2017.
This year has seen considerable progress in our commercialisation strategy and in particular the deal with Claeris gives us access to the project skills to deliver on our technology's promise on a worldwide basis.

None of this would be possible without the Leaf Resources team. I would like to thank all the staff for their efforts over the last twelve months. Leaf Resources is fortunate to have a team with the right skills for the task, an enthusiasm to succeed and an ability to deliver results.

2017 promises to be a big year with our targeted opportunities to proceed towards commercialisation.

Ken Richards

Ken Richards
Managing Director

2017

DIRECTORS' REPORT

DR JAY HETZEL

Chairman

Dr Hetzel has been involved in the development and commercialisation of technology for the past 17 years. Previously he had a distinguished scientific career with the CSIRO in the field of Animal Genetics. 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. Dr Hetzel holds a Bachelor in Agricultural Sciences (Hons) from the University of Melbourne and a PhD in Animal Genetics from the University of Sydney. Jay has served on a number of industry and government advisory groups for over 10 years. He is currently a non-executive Director of ASX listed Anatara Lifesciences. Jay is a Fellow of the Australian Academy of Technological Sciences and Engineering and a Fellow of the Australian Institute of Company Directors.

Chair of the Board
Appointed 12 September 2012
Member of the Audit Committee
Appointed 11 August 2011
Non-Executive Director
Appointed 1 August 2011
Other current listed directorships:
Anatara Life Sciences Ltd (appointed August 2014)
Previous directorships (last 3 years):
None
Interests in shares and options:
4,079,930 ordinary shares
750,000 unlisted options

KEN RICHARDS

Managing Director

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.

Managing Director
Appointed 1 August 2011
Executive Director
Appointed 31 August 2007
Other current listed directorships:
Dubber Corporation Ltd (appointed June 2007)
Previous directorships (last 3 years):
None
Interests in shares, options and performance rights:
13,024,726 ordinary shares
1,500,000 unlisted options
777,780 unlisted performance rights

CHARLES WILSON

Non-Executive Director

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.

Non-Executive Director
Appointed 21 May 2007
Member of the Audit Committee
Appointed 11 August 2010
Chair of Audit Committee
Resigned 11 August 2014
Other current listed directorships:
None
Previous directorships (last 3 years):
None
Interests in shares and options:
10,327,776 ordinary shares
375,000 unlisted options

MATTHEW MORGAN

Non-Executive Director

Matthew has over 10 years of executive management experience in private equity funded portfolio companies and 7 years as a venture capitalist. He is experienced in capital raisings, mergers and acquisitions. He is currently a non-executive director at ASX listed companies Brain Resource Limited and Diversa Limited. 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. Matthew holds a B.Commerce, B. AppSc and an MBA from the Queensland University of Technology. He was also the first Australian to be awarded a Kauffman Fellowship.

Non-Executive Director
Appointed 21 July 2014
Chair of the Audit Committee
Appointed 11 August 2014
Other current listed directorships:
Brain Resource Limited
(appointed March 2016)
Diversa Ltd
(appointed August 2008)
Previous directorships (last 3 years):
Bluechip Limited (appointed February 2014, resigned March 2016)
3D Medical Limited (appointed February 2015, resigned May 2015)
Interests in shares and options:
1,118,965 ordinary shares
375,000 unlisted options

HELEN PENNISI

Company Secretary

Helen is a Certified Practising Accountant and the Group Chief Financial Officer. She holds a Bachelor of Business (Accountancy) from the Queensland University of Technology, a Diploma of Financial Services (Financial Planning) and is a Chartered Tax Advisor. Helen was appointed company secretary on 1 March 2015.

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;
  - broadening the range of biomass inputs that the process can utilise; 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.
- The management of the Group's intellectual property and patent portfolio.

CEO report and financial results

- Information on the operations of the group and its business strategies and prospects is set out in the CEO report and activities on pages 5-10 of this annual report.
- The Group's operating loss after the R&D income tax refund for the year ended 30 June 2016 amounted to $2,606,254 (30 June 2015 – $1,913,485 loss).

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 $3,424,952 (from $37,401,914 to $40,826,866) as the result of:
- placements to sophisticated investors as part of the capital raising program ($1,933,489),
- placements as part of the share purchase plan ($1,213,537),
- share based payments ($194,334), and
- the exercise of options ($83,592)

During the year the company granted 2,970,252 rights under the Performance Rights Plan to:
- the managing director - 1,444,447 rights
  (as previously approved by shareholders)
- other employees - 1,525,805 rights

At 30 June 2016 no performance rights had vested.

On 1 July 2016 the following rights vested:
- granted to the managing director – 777,780 rights
- granted to an employee – 91,828 rights

On 1 August 2016 the following rights lapsed:
- granted to the managing director – 666,667 rights
- granted to employees – 1,433,977 rights

Events arising since the end of the reporting period

Since the end of the reporting period, the Company has:
- entered into a joint venture to develop five projects with world-class project developer Claeris, LLC
- formed Leaf Development, LLC (a partly owned subsidiary of Leaf Resources Limited) in the USA as the joint venture entity with Claeris HoldCo, LLC
- formed Leaf Resources USA, LLC (a wholly owned subsidiary of Leaf Resources Limited) in the USA to hold shares in Leaf Development, LLC
- formed Leaf Performance Plan Pty Ltd to act as trustee of the Leaf Performance Plan Trust
- made private placements of shares in July 2016 to Australian investors and in August 2016 to US based investors and a UK based supplier.
- granted options to Claeris ManagementCo, LLC in accordance with the Share Option Agreement between Leaf Resources Limited and Claeris Management Co, LLC.

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 2016.

Environmental issues

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

DIRECTOR'S NAME	BOARD MEETINGS		AUDIT & RISK COMMITTEE		REMUNERATION COMMITTEE	
	A	**B**	**A**	**B**	**A**	**B**
CHARLES WILSON	5	5	2	2	2	2
KEN RICHARDS	5	5	N/A	N/A	N/A	N/A
JAY HETZEL	5	5	2	2	2	2
MATT MORGAN	5	5	2	2	2	2

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

REMUNERATION REPORT

audited

Remuneration Report

The Directors of Leaf Resources Limited ('the Group') present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*.

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 remuneration
c. Service agreements
d. 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:

- 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:

- 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 executive's direct accountability and responsibility for the operational management, strategic direction and decision-making for the Company and demonstrated leadership. There is no guaranteed base pay increases included in any executive's contract and the payment of bonuses is reviewed by the Remuneration Committee 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.
- 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 Remuneration Committee 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. 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.
- The Company has market based performance conditions linked to the executive's medium to long term incentives. The criteria are set annually by the Remuneration Committee. Medium to long term incentives are paid through the Leaf Performance Rights Plan.

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. 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 2015 Annual General Meeting

The company received 76.89% of "yes" votes on its remuneration report for the 2015 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 undertaken in 2015 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.

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 (4) financial years:

	2016	2015	2014	2013	2012
EPS (cents)	(2.07)	(1.80)	(2.45)	(0.72)	(9.19)
Dividends (cents/share)	-	-	-	-	-
Net profit/(loss) ($)	(2,606,254)	(1,913,485)	(1,528,383)	(358,611)	(2,971,343)
Share price ($)	0.115	0.16	0.05	0.05	0.03

(b) Details of remuneration

Details of the nature and amount of each element of the remuneration of each Key Management Personnel ("KMP") of Leaf Resources Limited are shown in the table below:

Director and other Key Management Personnel remuneration

		Short term employee benefits		**Post-employment benefits**	**Long term benefits**	**Termination benefits**	**Share based payments**				
Employee	**Year**	**Cash salary and fees**	**Cash bonus**	**Super-annuation**	**Long service leave**	**Termination payments**	**Shares**	**Options**	**Performance Rights**	**Total**	**Performance based percentage of remuneration**
Executive Director											
Ken Richards[1]	**2016**	**240,000**	**-**	**29,133**	**-**	**-**	**-**	**5,846**	**126,022**	**401,001**	**31%**
	2015	190,000	-	22,800	-	-	50,000	**-**	-	262,800	19%
Non-Executive Directors											
Jay Hetzel[2]	**2016**	**33,112**	**-**	**6,204**	**-**	**-**	**32,162**	**-**	**-**	**71,478**	**0%**
	2015	30,270	-	5,751	-	-	30,270	**-**	-	66,291	**0%**
Charles Wilson[2,3]	**2016**	**19,404**	**-**	**3,586**	**-**	**-**	**18,290**	**-**	**-**	**41,280**	**0%**
	2015	16,050	-	3,050	-	-	16,050	**-**	-	35,150	**0%**
Matthew Morgan[2]	**2016**	**22,987**	**-**	**-**	**-**	**-**	**18,292**	**-**	**-**	**41,279**	**0%**
	2015	19,890	-	-	-	-	13,380	11,375	**-**	44,645	**0%**
Other Key Management Personnel											
Alex Baker	**2016**	**217,656**	**31,963**	**23,714**	**-**	**-**	**-**	**-**	**7,484**	280,817	**15%**
	2015	208,904	-	19,846	-	-	-	**-**	-	228,750	26%
2016 Total	**2016**	**533,159**	**31,963**	**62,638**	**-**	**-**	**68,744**	**5,846**	**133,506**	**835,856**	
2015 Total	2015	465,114	-	51,447	-	-	109,700	11,375	-	637,636	

1. At the Company's Annual General Meeting held on 25 November 2015, shareholders approved the issue of 1,444,447 performance rights to Ken Richards being:
   - in lieu of payment of 2014/2015 short-term incentive bonus ($50,000) (333,333 Rights)
   - in lieu of salary foregone during the year ended 30 June 2016 ($66,667) (444,447 Rights)
   - as part of the Company's long term incentive program 2015/2016 ($9,355)[4] (666,667 Rights)

The performance rights were issued in January 2016 and vested on 1 July 2016.

2. At the Company's Annual General Meeting held on 25 November 2015, shareholders approved the following issue of shares to non-executive directors in lieu of payment of their directors' fees for the period 1 January 2015 to 31 December 2015. The shares were issued on 1 December 2015.

Director	Number of ordinary shares issued	1 Jan 2015 to 30 Jun 2015	1 Jul 2015 to 31 Dec 2015
Jay Hetzel	416,213	$30,720	$32,162
Charles Wilson	228,933	$16,050	$18,290
Matthew Morgan	228,986	$16,056	$18,292

Director fees in relation to the period 1 January to 30 June 2015 were accrued at 30 June 2015.

3. During the period 1 January 2016 to 30 June 2016, Charles Wilson continued the freeze on cash payment of his director's fees. At 30 June 2016 this accrual totalled $19,404.

4. The Performance Rights granted as part of the Company's long term incentive program 2015/2016 have been valued using Monte Carlo simulation method.

(c)Service agreements

Remuneration and other terms of employment for the Executive Director and other 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	350,400	No fixed term	Six months	Six months
A Baker	240,000	No fixed term	Three months	Three months

*Base salaries quoted are for the year ended 30 June 2016; they are reviewed annually by the board.
**Base salary payable if the company terminates in lieu of notice or for a period less than the notice period.

(d) Share-based remuneration

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

Grant date	Vesting dates *	Expiry date	Exercise price	Value **	% Vested
Options					
03 Sept-2014	03-Sep-2014	03-Sep-2018	$0.10	$0.030	100%
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	100%
	17-Dec-2015	17-Dec-2017	$0.10	$0.016	100%
28-Oct-2013	20-Dec-2014	20-Dec-2016	$0.10	$0.011	100%
20-Dec-2012	20-Dec-2013	20-Dec-2016	$0.10	$0.019	100%
	20-Dec-2014	20-Dec-2016	$0.10	$0.020	100%
Performance Rights					
11-Jan 2016	1-Jul-2016	11-Jan-2021	$nil	$0.15	100%
11- Jan-2016	1-Aug-2016	11-Jan-2021	$nil	$0.032	0%
	1-Aug-2017	11-Jan-2021	$nil	$0.032	0%
	1-Aug-2018	11-Jan-2021	$nil	$0.026	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. Performance rights granted with multiple vesting dates will occur over three tranches, subject to specified performance criteria being met, with 1/3 vesting on 1 August 2016, 1/3 on 1 August 2017 and 1/3 on 1 August 2018.
**Value per option or performance right at grant date.

All performance rights and options are over ordinary shares in the Company, which are exercisable on a one-for-one basis under the terms of the agreements. Options granted to the non-executive directors are under the employee share option plan and performance rights granted to the managing director and chief operating officer are under the Leaf Resources Limited Performance Rights Plan.

The non-executive directors' options have vested immediately and the executives' options will vest subject to continued employment until the end of the arranged vesting period. 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.

During the year, the managing director was granted performance rights in lieu of salary and cash bonus. The managing director and the chief operating officer were granted performance rights under the Company's long term incentive (LTI) plan. The vesting conditions to be met for entitlement to the performance rights are:

- in respect of the performance rights granted in lieu of salary and cash bonus, the continuation of employment up to and including 30 June 2016 at which time the performance condition was met and the rights immediately vested.
- in respect of the performance rights granted under the LTI plan, an increase in the Company's share price from July 2015 VWAP of $0.18 to June 2016 VWAP of between $0.27 and $0.36 at which time the rights would vest in three equal annual instalments from the first vesting date of 1 July 2016. This vesting condition was not achieved and the LTI performance rights have lapsed.

Name	Number granted	Grant date	Value **** $	Number Vested	Year may vest
J Hetzel	750,000 options	17 Dec 2013*	11,910	750,000	Vested
C Wilson	375,000 options	17 Dec 2013*	5,955	375,000	Vested
M Morgan	375,000 options	3 Sep 2014**	11,375	375,000	Vested
K Richards	1,500,000 options	17 Dec 2013*	24,093	750,000	50% vested 50% 2016
	1,444,447 rights	11 Jan 2016***	136,899	-	54% vested 48% lapsed
A Baker	700,000 options	28 Oct 2013	7,762	700,000	Vested
	100,000 options	20 Dec 2012	1,965	100,000	Vested
	533,333 rights	11 Jan 2016	16,185	-	Lapsed

*These options issued to directors of the company were approved by shareholders at the annual general meeting held on 28th November 2013.
**These options issued to directors of the company were approved by shareholders at a general meeting on 28 August 2014.
*** These performance rights were granted to the managing director and were approved by shareholders at the annual general meeting held on 25th November 2015. In accordance with that resolution, the performance rights have been valued at the closing share price on 30 September 2015.
****The assessed fair value at grant date of options and LTI rights 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 2016 is included in the remuneration tables above. Fair values of options at grant date are determined using The Hull-White option pricing model that takes into account various input assumptions. Fair values of performance rights with market based performance conditions at grant date are determined using Monte Carto simulation method. Details of the inputs are disclosed in Note 23.

(e) Bonuses included in remuneration

For each cash bonus and grant of securities included in the remuneration table, the percentage of the available bonus or grant that was paid, or that vest 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. Bonuses vest after the end of the financial year to which they relate. Short term incentive bonuses are paid in cash or by issuing performance rights to employees as incentives during the year. Long term incentive bonuses are granted as performance rights during the year but vest after the end of the financial year. At the date of this report, no short term incentive bonuses in respect of the 2016 financial year had been set by the Board.

Name	Year	Percentage vested in year	Percentage forfeited in year	% in Cash	% as share based payment	Number of Securities
K Richards – performance criteria	2016	Nil%*	Nil%**	Nil%	100%	1,000,000 performance rights
	2015	Nil%	Nil%	Nil%	N/A	Nil
A Baker: - performance criteria	2016	50%	50%	82%	18%	533,333*** performance rights
	2015	Nil%	Nil%	Nil%	Nil%	Nil

*On 1 July 2016, 333,333 of the performance rights issued vested.
** 666,666 of the performance rights which relate to LTI, lapsed on 1 July 2016.
***The 533,333 performance rights relate to LTI and lapsed on 1 July 2016.

(f) Other Information

Options and performance rights 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:

Movement during period

Year ended 30 June 2016	Balance 1/07/2015	Granted as compensation	Number exercised	Net change other	Balance 30/06/2016
Options					
J Hetzel	750,000	-	-	-	750,000
C Wilson	375,000	-	-	-	375,000
M Morgan	375,000	-	-	-	375,000
K Richards	1,500,000	-	-	-	1,500,000
A Baker	1,500,000	-	700,000	-	800,000
	4,500,000	-	700,000	-	3,800,000
Performance rights					
K Richards	-	1,444,447	-	-	1,444,447
A Baker	-	533,333	-	-	533,333
	-	1,977,780	-	-	1,977,780
Total	**4,500,000**	**1,977,780**	**700,000**	**-**	**5,777,780**

Year ended 30 June 2015	Balance 1/07/2015	Granted as compensation	Number exercised	Net change other	Balance 30/06/2016
Options					
J Hetzel	750,000	-	-	-	750,000
C Wilson	375,000	-	-	-	375,000
M Morgan	-	375,000	-	-	375,000
K Richards	1,500,000	-	-	-	1,500,000
A Baker	1,500,000	-	-	-	1,500,000
	4,125,000	375,000	-	-	4,500,000
Performance rights					
K Richards	-	-	-	-	-
A Baker	-	-	-	-	-
	-	-	-	-	-
Total	**4,125,000**	**375,000**	**-**	**-**	**4,500,000**

Number held at balance date

Year ended 30 June 2016	Balance 30/06/2016	Total vested 30/06/2016	Total exercisable 30/06/2016	Total un-exercisable 30/06/2016
Options				
J Hetzel	750,000	750,000	750,000	-
C Wilson	375,000	375,000	375,000	-
M Morgan	375,000	375,000	375,000	-
K Richards	1,500,000	1,500,000	1,500,000	-
A Baker	800,000	800,000	800,000	-
	3,800,000	3,800,000	3,800,000	-
Performance rights				
K Richards	1,444,447	-	-	1,444,447
A Baker	533,333	-	-	533,333
	1,977,780	-	-	1,977,780
Total	**5,777,780**	**3,800,000**	**3,800,000**	**1,977,780**

Year ended 30 June 2015	Balance 30/06/2015	Total vested 30/06/2015	Total exercisable 30/06/2015	Total un-exercisable 30/06/2015
Options				
J Hetzel	750,000	750,000	750,000	-
C Wilson	375,000	375,000	375,000	-
M Morgan	375,000	375,000	375,000	-
K Richards	1,500,000	750,000	750,000	750,000
A Baker	800,000	800,000	800,000	-
	3,800,000	3,050,000	3,050,000	750,000
Performance rights				
K Richards	-	-	-	-
A Baker	-	-	-	-
	-	-	-	-
Total	**3,800,000**	**3,050,000**	**3,050,000**	**750,000**

Shares held by Key Management Personnel

The number of ordinary shares in the Company during the 2016 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out below:

	Balance 01/07/2015	Shares issued in lieu of cash remuneration foregone	Received on exercise	Other changes	Held at 30/06/16
J Hetzel	3,548,332	416,213	-	115,385	4,079,930
C Wilson	9,029,642	228,933	-	1,069,201	10,327,776
M Morgan	882,286	228,986	-	7,693	1,118,965
K Richards	12,678,571	-	-	346,155	13,024,726
A Baker	2,840,600	-	700,000	(661,538)	2,879,062
	28,979,431	874,132	700,000	876,896	31,430,459

Shares Under Option

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

Date granted	Expiry date	Exercise price of shares	Number and type
11 January 2016	11 January 2021	$nil	1,977,780 rights
3 September 2014	3 September 2018	$0.10	375,000 options
17 December 2013	17 December 2017	$0.10	2,625,000 options
28 October 2013	20 December 2016	$0.10	700,000 options
20 December 2012	20 December 2016	$0.10	300,000 options

No option or performance rights holder has any right under the options or rights to participate in any other share issue of the company or any other entity.
During the financial year the Company issued 700,000 ordinary shares as a result of the exercise of December 2012 options.

End of audited remuneration report.

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 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 to the auditors of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out below.

	2016 $	2015 $
Audit and review of financial statements - **Grant Thornton**	**41,259**	**40,168**
Total audit and review remuneration	**41,259**	**40,168**
Taxation compliance services – **Grant Thornton**	**6,729**	**3,750**
Total taxation compliance services	**6,729**	**3,750**
Total auditor's remuneration	**47,988**	**43,918**

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 25 of this financial report and forms part of this Directors' Report.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act* 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Rounding of amounts

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

Directors' authorisation

Signed in accordance with a resolution of the Directors.

Dr Jay Hetzel
Chairman
Brisbane, Queensland, Australia
8 September 2016

Ken Richards
Managing director
Brisbane, Queensland, Australia
8 September 2016

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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 audit of Leaf Resources Limited for the year ended 30 June 2016, 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, 8 September 2016

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue	3	50,000	7,809
Other income	4	107,842	15,711
Mining lease expenses		(9,904)	(5,915)
Depreciation, amortisation and impairment	5	(4,585)	(3,180)
Employee benefits expense	5	(995,945)	(645,267)
Directors' & officers' fees & CEO		(571,548)	(484,786)
Office administration		(208,038)	(122,130)
Professional fees		(209,990)	(131,283)
Corporate and investor costs		(238,951)	(218,123)
Travel and accommodation		(223,291)	(227,087)
Research and development		(762,243)	(566,535)
Patent and licence fees		(14,667)	(10,999)
Other expenses		(71,780)	(40,680)
Loss before income tax		**(3,153,100)**	**(2,432,465)**
Income tax benefit	6	546,846	518,980
Loss for the year from continuing operations		**(2,606,254)**	**(1,913,485)**
Loss from discontinued operations		-	-
Loss for the year		**(2,606,254)**	**(1,913,485)**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		**(2,606,254)**	**(1,913,485)**

Earnings Per Share from Continuing Operations			
Basic loss per share (cents)	9	(2.07)	(1.80)
Diluted loss per share (cents)	9	(2.07)	(1.80)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	2016 $	2015 $
Current Assets			
Cash and cash equivalents	11, 22(a)	1,045,551	698,725
Trade and other receivables	12	164,594	65,960
Current tax assets	6	542,107	405,830
Total Current Assets		**1,752,252**	**1,170,515**
Non-Current Assets			
Property, plant and equipment	13	28,685	20,804
Other financial assets	14	567,687	24,783
Intangible assets	15	-	-
Total Non-Current Assets		**596,372**	**45,587**
Total Assets		**2,348,624**	**1,216,102**
Current Liabilities			
Trade and other payables	16	313,089	119,346
Employee benefits	17	119,440	234,640
Provisions	18	125,000	100,000
Total Current Liabilities		**557,529**	**453,986**
Non-Current Liabilities			
Employee benefits	17	17,686	-
Total Non-Current Liabilities		**17,686**	**-**
Total Liabilities		**575,215**	**453,986**
Net Assets		**1,773,409**	**762,116**
Equity			
Issued capital	19	40,826,866	37,401,914
Reserves	20	270,617	78,022
Accumulated losses	21	(39,324,074)	(36,717,820)
Total Equity		**1,773,409**	**762,116**

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

For the year ended 30 June 2016

	Attributable to equity holders of the parent			
	Issued Capital $	**Accumulated Losses $**	**Other Reserves $**	**Total Equity $**
Balance at 1 July 2014	34,830,856	(34,804,335)	54,530	81,051
Loss for the year ended 30 June 2015	-	(1,913,485)	-	(1,913,485)
Other comprehensive income	-		-	-
Total comprehensive loss for the year	**-**	**(1,913,485)**	**-**	**(1,913,485)**
Transactions with owners in their capacity as owners				
Shares issued	2,406,206	-	-	2,406,206
Share issue transaction costs	(149,633)	-	-	(149,633)
Cost of share-based payments	311,061	-	26,916	337,977
Transfer relating to options expired	3,424	-	(3,424)	-
Total transactions with owners	**2,571,058**	**-**	**23,492**	**2,594,550**
Balance at 30 June 2015	**37,401,914**	**(36,717,820)**	**78,022**	**762,116**
Balance at 1 July 2015	**37,401,914**	**(36,717,820)**	**78,022**	**762,116**
Loss for the year ended 30 June 2016	**-**	(2,606,254)	-	(2,606,254)
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive loss for the year	**-**	**(2,606,254)**	**-**	**(2,606,254)**
Transactions with owners in their capacity as owners				
Shares issued	3,469,346	-	-	3,469,346
Share issue transactions costs	(151,730)	-	-	(151,730)
Cost of share-based payments	107,336	-	192,595	299,931
Total transactions with owners	**3,424,952**	**-**	**192,595**	**3,617,547**
As at 30 June 2016	**40,826,866**	**(39,324,074)**	**270,617**	**1,773,409**

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

For the year ended 30 June 2016

	Notes	2016 $	2015 $
Net cash flows from operating activities			
Receipts from customers		36,757	11,457
Payments to suppliers & employees		(2,770,332)	(2,215,941)
Interest received		9,961	12,844
R&D tax incentive refund		410,569	203,654
Net cash used in operating activities	**22(b)**	**(2,313,045)**	**(1,987,986)**
Cash flows from investing activities			
Payment for plant & equipment	13	(12,466)	(20,278)
(Payments for)/proceeds from other financial assets		(542,904)	(24,783)
Net cash provided by investing activities		**(555,370)**	**(45,061)**
Cash flows from financing activities			
Proceeds from issue of shares		3,366,970	2,406,206
Share issue transaction costs		(151,730)	(149,635)
Net cash provided by (used in) financing activities		**3,215,240**	**2,256,571**
Net (decrease)/increase in cash and cash equivalents		346,825	223,524
Cash and cash equivalents at the beginning of the financial year		698,726	475,201
Cash and cash equivalents at the end of the financial year	22(a)	**1,045,551**	**698,725**

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, (the 'Parent') for the year ended 30 June 2016 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 2016 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 consolidated financial statements for the year ended 30 June 2016 were approved and authorised for issue by the Board of Directors on 8 September 2016.

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 objectives on a global scale. The commercialisation of the technology through the Claeris transaction will require funds to be raised to progress to full commercialisation. This requirement for funds is dependent upon Claeris reaching agreed milestones in the development of projects and will increase as projects become more defined and closer to realisation. Management understands that its current commitment to fund the ongoing commercialisation objectives and to continue as a going concern requires funds to be raised as each set of milestones is passed and the projects get closer to commercialisation. The Directors have received early indications from several brokers that raising the required funds is achievable and as such, 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: Summary of accounting policies

(a) Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

(b) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2016. 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.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. A list of controlled entities is contained in Note 29 to the financial statements.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

(c) 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.

(d) 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.

(e) 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 profit or loss and other 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 profit or loss and other comprehensive income immediately.

(f) Taxation

Leaf Resources Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

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.

(g) Receivables

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

(h) Payables

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

(i) 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) *Available for sale financial assets*
Financial assets held as available for sale relate to the Company's investment in ZeaChem Inc. The investment has been initially recorded at fair value, being the cost of the investment. In the current period, the lack of observable data has resulted in the Group determining that it is unable to reliably measure the fair value of the investment and therefore the investment has been carried at Cost as a financial asset available for sale.

(iii) Financial assets at fair value through profit or loss
Financial assets at FVTPL are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

(iv) *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 profit or loss and other 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.

(j) 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.

(k) 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.

(l) Revenue recognition

Revenue arises from the sale of goods and the rendering of services plus the Group's share of revenue of its joint operation. 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.

(m) 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% - 66.7%
- Leasehold improvements	5% - 10%
- Laboratory equipment	10%

(n) 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.

(o) 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.

(p) Share based payments

The group operates equity-settled share-based payment employee share, performance rights 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 performance rights which have a market linked performance criteria is ascertained using Monte Carlo simulation method. This method models the probability of the market linked performance criteria being achieved and is used to determine fair value at grant date. The modelling incorporates relevant factors including but not limited to the volatility of the stock, the share price at grant date and the period in which the performance criteria can be achieved.

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.

(q) 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(e).

(r) 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.

(s) Foreign currency transaction 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.

(t) 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.

(u) 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 has exploited 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.

During the reporting period, mining has ceased and the process of restoring the land held under the mining leases by AQL Mining Pty Ltd has been substantially completed but not yet finalised.

(v) 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:

Other financial assets - Investment in ZeaChem Inc

The Group considered the accounting treatment to be applied to its investment in ZeaChem Inc. In doing so, it considered the requirements of Australian Accounting Standards AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 128 *Investments in Associates and Joint Ventures*. The Group first evaluated whether it held "significant influence" over ZeaChem and consequently whether the investment should be equity accounted. Having considered all the facts and circumstances the Group determined, on balance, that at no point from the time of the initial investment through to the reporting date did it hold significant influence over ZeaChem, and hence should be accounted for as a Financial Asset in accordance with AASB 139.

Subsequent measurement of financial assets

As noted above, as the Group has determined it does not have significant influence, it accounts for its investment in Zeachem Inc in accordance with AASB 139. The investment has been initially recorded at fair value, being the cost of the investment. In the current period, the lack of observable data has resulted in the Group determining that it is unable to reliably measure the fair value of the investment and therefore is accounting for the investment in accordance with the requirements of paragraph 46 (c) of AASB 139 *Financial Instruments: Recognition and Measurement*, and hence the investment has been carried at Cost (less accumulated impairment losses, where applicable).

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(e). Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

Rehabilitation Provision

The most significant accounting estimate for the Group relates to the rehabilitation provision, for further discussion refer to Note 18.

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

(w) 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.

(x) 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
- De-recognition 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.

AASB 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 AASB118 Revenue, AASB 111 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) has issued the equivalent Australian Standard (AASB 15 *Revenue from Contracts with Customers*).

AASB 16 Leases

On 13 January 2016, the IASB issued new standard for leasing, AASB 16 Leases. The new standard changes how lessees account for operating leases. In principle it, requires lessees account to recognise operating leases on their balance sheets as lease liabilities with corresponding right-of-use assets. The Group is in the process of assessing the impact of the new standard on its leasing contracts and it is likely that the introduction of this new standard will have a material impact due to bringing the existing off balance sheet leases on to the balance sheet when AASB 16 is first adopted. The standard must be adopted for the financial years commencing on or after 1 January 2019. The Group has not yet decided when to adopt AASB16.

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

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

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2015. Information on the more significant standard(s) is presented below:

AASB 2015-4 Amendments to Australian Accounting Standards -Financial Reporting Requirements for Australian Groups with a Foreign Parent

AASB 2015-4 amends AASB128 Investments in Associates and Joint Ventures to ensure that its reporting requirements on Australian with a foreign parent align with those currently available in AASB 10 Consolidated Financial Statements for such groups. AASB 128 will now only require the ultimate Australian entity to apply the equity method in accounting for interests in associates and joint ventures, if either entity or the group is a reporting entity or both the entity and group are reporting entities. AASB 2015-4 is applicable to annual reporting periods beginning on or after 1 July 2015. The adoption of this method has not had any material impact on the Group.

3. Revenue

	2016 $	2015 $
Gravel sales	-	7,809
Research fees	50,000	-
	50,000	**7,809**

4. Other income

	2016 $	2015 $
Interest income	9,961	12,844
Other	97,881	2,867
	107,842	**15,711**

5. Expenses

	Notes	2016 $	2015 $
Depreciation, amortisation and impairment expense			
Depreciation of property, plant and equipment		4,585	3,180
		4,585	**3,180**
Employee Benefits Expense			
Salaries, wages & bonus		803,610	586,686
Superannuation		53,389	43,143
Share based payments		99,319	6,918
Other employee benefits		39,627	8,520
		995,945	**645,267**
Rental expense relating to operating leases			
Minimum lease payments		55,708	40,789
Net foreign exchange differences		**(49,644)**	**(10,958)**

6. Income tax

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

	Note	2016 $	2015 $
Loss before income tax		(3,153,100)	(2,432,465)
Income tax at 30% (2015: 30%)		(945,930)	(729,739)
Expenditure not allowable for income tax purposes		467,346	337,310
Temporary differences (deferred tax)		2,822	(48,592)
Unrecognised/ (recognised) tax losses		475,762	440,622
R&D tax incentive cash refund current year		(542,107)	(405,830)
Adjustment in respect of prior year's R&D tax incentive		(4,739)	(113,150)
Actual income tax benefit		(546,846)	(518,980)
Income tax refund comprises:			
Current tax expense (income)		(546,846)	(518,980)
Deferred tax expense (income)		-	-
Income tax benefit		**(546,846)**	**(518,980)**

Losses

At 30 June 2016, the Group has carry forward tax losses of approximately $19.1 million not brought to account (2015 $17.6 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	2016 $	2015 $
Deferred tax assets		
-Provisions	67,511	114,099
-Borrowing costs	66	66
-Accrued expenses	69,839	-
-Share capital costs	70,600	46,410
-Patents	28,450	22,485
-Legal fees	7,145	-
-Tax losses	5,738,930	5,295,068
Deferred tax liabilities		
-Accrued income	(629)	(629)
Total deferred tax assets	**5,981,912**	**5,477,499**

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

	2016 $	2015 $
Audit and review of financial statement Grant Thornton	41,259	40,168
Total audit and review remuneration	41,259	40,168
Taxation compliance services Grant Thornton	6,729	3,750
Total auditor's remuneration	**47,988**	**43,918**

8. Remuneration of key management personnel

Key management personnel compensation:

	2016 $	2015 $
Short-term employee benefits	565,122	465,114
Post-employment benefits	62,638	51,447
Long-term benefits	-	-
Termination benefits	-	-
Share based payments*	208,096	121,075
	835,856	**637,636**

* Detailed remuneration disclosures are provided in the remuneration report.

9. Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the parent company (Leaf Resources Limited) as the numerator.

Reconciliation of earnings used in calculating earnings per share	**2016 $**	**2015 $**
Loss attributable to the parent entity used in the calculation of basic and dilutive EPS	(2,606,254)	(1,913,485)
Loss attributable to the parent entity	(2,606,254)	(1,913,485)
Weighted average number of ordinary shares	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	126,095,469	106,456,171
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per shares	126,095,469	106,456,171

Calculation of dilutive EPS

As at 30 June 2016 there were:

- 4,300,000 unlisted options on issue which have vested; and
- 1,000,000 unlisted options on issue which have not yet vested.
- 2,970,251 unlisted performance rights on issue which have not yet vested.

On 1 July 2016, 869,608 of the unlisted performance rights vested and 2,100,644 of the unlisted performance rights lapsed on 1 August 2016 due to performance conditions not being met.
The 4,300,000 unlisted options that have vested were included in the calculation of diluted earnings per share due to the exercise price being less than the average market price of ordinary shares during the period.

As at 30 June 2015, there were 4,250,000 unlisted options on issue which had vested and were included in the calculation of diluted earnings per share due to the exercise price being less than the average market price of ordinary shares during the period.

Further, at 30 June 2016 the following may potentially be considered a contingently issuable share entitlement:

- non-executive director's accrued salary ($19,404)
- 869,608 performance rights that vested on 1 July 2016

These equity instruments were not included in the calculation of diluted earnings per share due to their contingent nature and due to them being anti-dilutive. All equity instruments described could potentially dilute basic earnings per share in the future.

10. Segment reporting

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 profit or loss and other 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 operation however the joint operation derives its sales from varied external customers. The joint arrangement has now ceased its operations and will not generate any further income or receive further investment 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 15) maintained by this segment includes patents and licences granted in Australia and foreign countries. 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 profit or loss and other 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 2016 $	R&D 2016 $	Total 2016 $	Gravel 2015 $	R&D 2015 $	Total 2015 $
Revenue (external)						
Australia – research fees	-	50,000	50,000	-	-	-
Australia – gravel sales	-	-	-	7,809	-	7,809
Segment & group revenue	-	-	-	7,809	-	7,809
Interest income	467	-	467	2,817	-	2,817
Other income	-	-	-	-	-	-
Cost of sales	(9,904)	-	(9,904)	(5,916)	-	(5,916)
Employee benefits expense	-	(424,276)	(424,276)	-	(261,677)	(261,677)
Office administration	(120)	(10,529)	(10,649)	(216)	(36,379)	(36,595)
Professional fees	(37,574)	-	(37,574)	(11,366)	-	(11,366)
Statutory fees	(246)	-	(246)	(243)	-	(243)
Travel and accommodation	-	(66,912)	(66,912)	(26)	(46,988)	(47,014)
Research and development	-	(702,965)	(702,965)	-	(546,711)	(546,711)
Patent and licence fees	-	(72,271)	(72,271)	-	(10,090)	(10,090)
Other	(25,000)	-	(25,000)	-	-	-
Segment operating profit or loss	**(72,377)**	**(1,226,953)**	**(1,299,330)**	**(7,141)**	**(901,845)**	**(908,986)**
Segment assets	**681,905**	**11,260**	**693,165**	**729,282**	**16,700**	**745,982**
Segment liabilities	**142,634**	**1,591,948**	**1,734,582**	**117,634**	**1,532,068**	**1,649,702**

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

	2016 $	2015 $
Total reportable segment operating profit or (loss)	(1,349,330)	(908,986)
Other income not allocated	157,375	12,894
Corporate overhead	(1,961,145)	(1,536,373)
Group operating loss before income tax	**3,153,100**	**(2,432,465)**
Total reportable segment assets	693,165	745,982
Consolidation	(655,100)	(600,100)
Corporate headquarters	2,310,559	1,070,220
Group assets	**2,348,624**	**1,216,102**
Total reportable segment liabilities	1,734,582	1,649,702
Consolidation	(1,588,373)	(1,532,097)
Corporate headquarters	429,006	336,381
Group liabilities	**575,215**	**453,986**

11. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2016 $	2015 $
Cash at bank and in hand		
Cash held in $AUD	987,351	480,236
Cash held in $USD (converted to $AUD)	5,059	218,489
Cash held in EURO (converted to $AUD)	53,141	-
Cash and cash equivalents	**1,045,551**	**698,725**

12. Trade and other receivables

	2016 $	2015 $
Trade receivables	46,360	-
Impairment allowance	-	-
Net trade receivables	**46,360**	**-**
Other debtors	89,066	18,860
GST receivable	11,649	4,368
Prepayments	15,423	34,036
Deposit landlord	-	6,600
Accrued income	2,096	2,096
Total Trade and other receivables	**164,594**	**65,960**

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 and an allowance for impairment is recognised when there is objective evidence that an individual trade or other receivable is impaired. At 30 June, the following amount was past due. No impairment has been made as it is reasonably expected that these amounts will be collected in full within 6 months of balance date.

Trade and or other receivables past due at 30 June 2016

	> 30 days	> 60 days	> 90 days
Trade receivables	$Nil	$Nil	$46,360

13. Property, plant and equipment

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

	2016 $	2015 $
Plant and equipment		
Cost	41,207	28,741
Accumulated depreciation	(12,522)	(7,937)
Total property, plant and equipment	**28,685**	**20,804**

Movements in carrying amounts

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

	2016 $	2015 $
Plant and equipment		
Opening written down value	4,732	3,705
Additions	8,558	3,849
Disposals	-	-
Depreciation	(3,401)	(2,822)
Closing written down value, plant & equipment	9,889	4,732
Leasehold improvements		
Opening written down value	16,072	-
Additions	674	16,430
Disposals	-	-
Depreciation	(1,150)	(358)
Closing written down value, leasehold improvements	15,596	16,072
Laboratory equipment		
Opening written down value	-	-
Additions	3,234	-
Disposals	-	-
Depreciation	(34)	-
Closing written down value, laboratory equipment	3,200	-
Total property, plant and equipment	**28,685**	**20,804**

All depreciation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets.

14. Other Financial assets

	2016 $	2015 $
Available for sale financial asset	567,687	24,783

During the year the Company made a financial investment in ZeaChem Inc. The investment has been initially recorded at fair value, being the cost of the investment. In the current period, the lack of observable data has resulted in the Group determining that it is unable to reliably measure the fair value of the investment and therefore the investment has been carried at cost (refer to note 2(v)). Leaf Resources and ZeaChem have also entered into a Joint Venture and have signed collaboration agreements in place.

15. Intangible assets

Leaf Resources has a focused intellectual property (IP) strategy in which it regularly reviews all of its research activities and is proactive in identifying new intellectual property and building strength around its ongoing core IP assets.

The Company's management have extensive IP experience and work closely with patent attorneys and lawyers in Australia and abroad to build and maintain the intellectual property portfolio.

During the reporting period the Company filed one patent application:

Australian provisional patent application number 2016901959 "Method for Extracting Silica" relates to methods for extracting silica from organic material and more particularly plant material, such as rice hulls, rice straw and sugarcane bagasse. Lignin may also be produced by the method.

The patent application is held by Leaf Research Pty Ltd, a wholly owned subsidiary of Leaf Resources.

Another wholly owned subsidiary of Leaf Resources, Leaf Sciences Pty Ltd has previously filed the following patent applications:

- PCT/AU2015/050390 - "Methods for hydrolysing lignocellulosic material" relating to the conversion of plant biomass to cellulose and then to cellulosic sugars and;
- PCT/AU2015/050389 - "Methods for treating lignocellulosic material" relating to the conversion of plant biomass into cellulose for cellulose fibre and;
- Australian provisional patent no. 201500826 "Apparatus system and method for treating lignocellulosic material" relating to the Hybritech™ platform that enables the production of either pulp or cellulosic sugars from the same equipment line.

The Group has expensed all internal research and development expenditure incurred during the year as the costs relate to the research of products and processes. The intellectual property cannot be recognised as an asset under Accounting Standards at this time as the generation of future economic benefits are still to be quantified.

The Company, through its management of previous programs has executed termination agreements finalising the previous collaboration and the licensing arrangements with QUT Bluebox, QUT and Syngenta. There are minimal ongoing obligations for Farmacule Bioindustries Pty Ltd, Leaf Resources' wholly owned subsidiary.

16. Trade and other payables

Trade and other payables consist of the following:

	2016 $	2015 $
Trade payables	69,094	59,538
Accruals	213,390	45,689
Other payables	30,605	14,119
Total trade and other payables	**313,089**	**119,346**

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

17. Employee benefits

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

Current	2016 $	2015 $
Leave entitlements	100,036	112,264
Accrued directors' salaries	19,404	122,376
Total employee benefits	**119,440**	**234,640**
Non-Current		
Leave entitlements	17,686	-
Total non-current employee benefits	17,686	-
Total employee benefits	**137,126**	**234,640**

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 2017. 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 23 for share based payment information.

18. Provisions

All provisions are considered current. The carrying amounts and movements in the mining rehabilitation provision during the financial year are set out below:

	2016 $	2015 $
Carrying amount opening	100,000	100,000
Additional provision	25,000	-
Amount utilised	-	-
Reversal	-	-
Carrying amount closing	**125,000**	**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. Restoration of the mining leases has commenced.

19. Issued capital

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

	2016 Number	2016 $	2015 Number	2015 $
Movements in ordinary share capital				
Balance at beginning of financial year	113,357,067	37,401,914	73,737,292	34,830,856
Net share issue	27,385,227	3,217,026	31,357,320	2,256,573
Net issue under share based payments	1,307,466	194,334	8,262,455	311,061
Exercised / expired employee options	700,000	13,592	-	3,424
Total contributed equity	**142,749,760**	**40,826,866**	**113,357,067**	**37,401,914**

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

The Company issued shares in October, November and December 2015 and June 2016 to sophisticated investors utilising the share placement facility under listing rule 7.1 and 7.1A.

In December 2015, the Company issued shares to:

- the non-executive directors as part payment of directors' fees for the period to 31 December 2015[1]
- an employee as payment of short term incentive for the year ended 30 June 2015
- a supplier as payment of services rendered.

[1]The share issues to directors were in accordance with shareholder approval attained at the 2015 AGM.

In June 2016 an employee exercised 700,000 unlisted options at an exercise price of $0.10 per option.

20. Reserves

	Note	2016 $	2015 $
Employee equity-settled benefits reserve		78,022	78,022
Movements:			
Balance at beginning of the financial year		78,022	54,530
Cost of share-based payment		206,187	26,916
Value of exercised & expired options under ESOP		(13,592)	(3,424)
Balance at the end of the financial year		**270,617**	**78,022**

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 23 Share Based Payments for further details of these plans.

21. Accumulated losses

	2016 $	2015 $
Opening balance at the beginning of the financial year	(36,717,820)	(34,804,335)
Loss for the year	(2,606,254)	(1,913,485)
Closing balance at the end of the financial year	**(39,324,074)**	**(36,717,820)**

22. 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:

	2016 $	2015 $
Cash and cash equivalents	**1,045,551**	**698,725**

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

	2016 $	2015 $
Net loss for the period	(2,606,254)	(1,913,485)
Adjustments for:		
Depreciation	4,585	3,180
Share based payments	339,931	241,429
Profit on sale of equipment included in investing activities	-	-
Net changes in working capital:		
Change in trade and other receivables	(98,633)	(12,846)
Change in current tax assets	(136,277)	(315,326)
Change in trade and other payables	193,741	9,514
Change in employee benefits	(35,138)	(452)
Change in provisions	25,000	-
Net cash used in operating activities	**(2,313,045)**	**(1,987,986)**

c) Non-cash investing and financing activities

Settlement of some directors' fees, employee bonus and supplier payments by shares and employee options issued are non-cash transactions excluded from the statement of cash flows. Refer to Note 23 below.

23. Share based payments

During the year the Group undertook share based payment arrangements for directors, employees and suppliers. All arrangements settled in equity 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:

	2016 **$**	**2015** **$**
Shares issued to employees	25,000	-
Shares issued to directors	68,744	109,700
Employee share option plan – employees	40,424	6,918
Employee share option plan – directors and officers	5,846	19,998
Employee performance rights plan	159,917	-
Subtotal	**299,931**	**136,616**
Shares issued to suppliers	40,000	104,813
	339,931	**241,429**

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

The shares issued to an employee were in lieu of a bonus. The issue price of these shares was $0.15.

In order to conserve cash, the directors agreed to accept their fees as a share based payment for the period to 31 December 2015. Shareholders approved this issue at the Company's annual general meeting on 25 November 2015. The issue price of these shares was $0.15.

The company engaged the services of consultants with fees of $40,000 being settled via 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 2016 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 and approved by shareholders. 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 the 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. The fair value is recognised as an expense over the vesting period. The expense recognised in the current year is in respect of:

- Unlisted 17 December 2017 options $5,846
- Unlisted 28 October 2018 options $40,424

The Leaf Resources Limited Performance Rights Plan (The Plan)

At the Company's annual general meeting held on 25 November 2015, shareholders gave approval for an employee incentive scheme, The Leaf Resources Limited Performance Rights Plan to be adopted.

Under the Plan, the Board may, from time to time, invite eligible staff members, including directors, to participate in the LTI Plan in accordance with its Rules and Applicable Law and subject to a limit of 5% of the issued capital of the Company. The eligible staff member may apply for performance rights, up to the number of set out in the invitation and in accordance with the terms set out in the invitation.

Performance rights can be exercised at any time from the vesting date until such time that the performance right lapses.

A performance right will lapse, if not exercised, at the earliest of:
a) the expiry date
b) if the performance conditions are not achieved within the specified measurement period
c) the date a resolution to wind up the Company is passed
d) in relation to a performance right that has not vested
i. The date the staff member ceases to be employed by the company (for a reason other than a qualifying reason)
ii. 5 days after the last measurement period applying to the performance right
iii. The date on which the Board may determine that the staff member has acted fraudulently or dishonestly, or has breached his or her obligations to the Company
e) in relation to a performance right that has vested
i. 30 days after the date the staff member ceases to be employed by the company (if for a qualifying reason)
ii. 5 days after the date the staff member ceases to be employed by the company (if for a reason other than a qualifying reason)

Shares acquired through exercising performance rights:
a) may at the Board's discretion have a restriction placed on the transfer of the shares for a period of up to seven years from the Grant Date.
b) will rank equally with shares of the same class

In January 2016, the following performance rights were granted:

Rights granted in lieu of salary and / or bonus	
CEO	777,780
Other employees	91,828
	869,608
Rights granted as a long term incentive to staff	
CEO	666,667
Other employees	1,433,977
	2,100,644
Total number of performance rights granted	**2,970,252**

Rights granted in lieu of salary and / or bonus

- the performance condition in relation to the rights granted in lieu of salary and / or bonus was continued employment with Leaf Resources up to and including 30 June 2016
- the performance condition was met in respect of all rights and subsequently 869,608 performance rights vested on 1 July 2016
- shareholders approved the grant of 777,780 performance rights to the Managing Director / CEO at the Company's annual general meeting on 25 November 2015 and in accordance with that resolution, the deemed value of each performance right is $0.15
- the value of the share based payment recognised in the current year in respect of the 869,608 rights granted in lieu of salary and / or bonus is $130,441.

Rights granted as a long term incentive to staff

- the performance condition in relation to the rights granted as a long term incentive to staff was achieving the Company's objective of an increase in the share price from July 2015 VWAP of $0.18 to June 2016 VWAP of two times the July 2015 VWAP i.e. $0.36. Pro-rata entitlement would apply if the June VWAP was at least 1.5 times the July 2015 VWAP i.e. at or above $0.27
- if the performance condition was achieved, the rights would vest in three equal annual instalments on 1 July, 2016, 2017 and 2018
- the performance condition was not met and consequentially 2,100,643 performance rights lapsed on 1 July 2016
- the value of the share based payment recognised in the current year in respect of the 2,100,643 rights granted as a long term incentive to staff is $29,476.16
- the performance rights were fair valued at $55,401.35 on grant date using the Monte Carlo simulation method and will be expensed:
    - $29,476.16 in 2016 financial year
    - $18,423.71 in 2017 financial year
    - $7,481.07 in 2018 financial year
    - $20.41 in 2019 financial year

Outstanding performance rights

The outstanding balance of performance rights as at 30 June 2016 is represented below.

Grant Date	Expiry Date	Exercise Price	Share options 2016	Share options 2015
11 January 2016	11 January 2021	$Nil	2,970,252	-
Total			**2,970,252**	**-**

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 2016	WAEP $ 2016	Number of options 2015	WAEP $ 2015
Outstanding at the beginning of the year	5,000,000	0.10	4,825,000	0.10
Granted during the year	1,000,000	0.10	625,000	0.10
Expired during the year	-	n/a	(450,000)	0.10
Exercised during the year	(700,000)	0.10	-	-
Outstanding at the end of the year (note there were 1,000,000 options that were issued but not vested at 30 June 2016 (750,000 unvested at 30 June2015))	**5,300,000**	**0.10**	**5,000,000**	**0.10**

Outstanding options

The outstanding balance of options as at 30 June 2016 is represented below.

Grant Date	Expiry Date	Exercise Price	Share options 2016	Share options 2015
20 December 2012	20 December 2016	$0.10	300,000	1,000,000
28 October 2013	20 December 2016	$0.10	1,000,000	1,000,000
17 December 2013	17 December 2017	$0.10	2,625,000	2,625,000
3 September 2014	3 September 2018	$0.10	375,000	375,000
28 October 2015	28 October 2018	$0.10	1,000,000	-
Total			**5,300,000**	**5,000,000**

The weighted average remaining life of the options outstanding at year end.	1.32 years	2.53 years

24. Events subsequent to balance date

Since 30 June 2016 the following matters have arisen which may significantly affect the operations of the Group:

- the Company signed a global partnership agreement with Claeris LLC of Dallas, a successful renewables project developer, to build up to five biorefineries.
- Leaf Development, LLC was formed in Texas and became a partly owned subsidiary of Leaf Resources Limited. Claeris HoldCo, LLC is the minority shareholder in Leaf Development, LLC.
- Leaf Resources, LLC was formed in Delaware, is a wholly owned subsidiary of Leaf Resources Limited and holds equity in Leaf Development, LLC.
- Leaf Performance Plan Pty Ltd was incorporated to act as trustee of the Leaf Performance Plan Trust.
- a private placement of shares was made to US based investors, raising $784,314
- a share based payment of $23,760 was made to a UK based supplier
- 869,608 performance rights vested
- 1,557,052 options were granted to Claeris ManagementCo, LLC in accordance with the Share Option Agreement between Leaf Resources and Claeris ManagementCo, LLC.

25. 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 29.

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.

26. 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 of $542,107 includes the tax refund estimated to be received from this incentive for the Group's domestic and overseas spend for the year ended 30 June 2016. On 5 February 2015, Leaf Resources Limited was granted, in respect of its Biofuels Development Program, a Certificate for Advance Finding under s28A of the *Industry Research and Development Act* 1986 and a Certificate for Overseas Finding under s28C of the *Industry Research and Development Act* 1986. During the year the Group undertook trials of its Glycell™ process in the United States and incurred overseas research costs.

27. 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 finance 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 creditors 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 are 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**	
	2016	**2015**	**2016**	**2015**
	%	**%**	**$**	**$**
Financial assets:				
Cash and cash equivalents	0.86	1.04	1,045,551	698,725
Receivables	-	-	147,075	23,228
Total financial assets			**1,192,626**	**721,953**
Financial liabilities:				
Trade payables and accruals	-	-	313,089	119,346
Total financial liabilities			**313,089**	**119,346**

Interest rate sensitivity

At 30 June 2016, 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% (2015: +/- 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 2016	9,287	8,978	8,287	8,978
30 June 2015	6,986	(4,500)	6,986	(4,500)

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) OR Euros and from providing employment benefits to the Executive Vice President for Business Development – Americas (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 and Europe consists of holding a proportion of the estimated foreign currency cash flow in a USD bank account and a Euro bank account. The USD and Euro values of the accounts are translated into AUD at the prevailing spot exchange rate and at 30 June 2016 had a combined value of AUD$58,200.

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 12.

		Within 1 year	
		2016	2015
	Note	$	$
Financial assets:			
Cash and cash equivalents	11, 22a	1,045,551	698,725
Receivables		147,075	23,228
Total financial assets		**1,192,626**	**721,953**
Financial liabilities:			
Trade payables and accruals	16	313,089	119,347
Total financial liabilities		**313,089**	**119,347**

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

	2016	2015
	$	$
Less than 6 months	313,089	119,347
6 months to 1 year	-	-
	313,089	**119,347**

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.

28. Leasing commitments and contingent liabilities

The commitments for minimum lease payments in relation to operating leases contracted by not capitalised in the financial statements are as follows:

	2016	2015
	$	**$**
Operating lease commitments		
Within one year	1,067	54,910
Later than one year but not later than five years	-	32,766
Later than five years	-	-
	-	**87,676**

29. 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 Unlisted:	**Principal activities**	**Country of incorporation**	**Class of shares**	**Ownership interest**	
				2016 %	**2015 %**
AQL Mining Pty Ltd	Mining of gravel and general fill	Australia	Ord	100	100
Farmacule BioIndustries Pty Ltd	Research & development	Australia	Ord	100	100
Leaf Sciences Pty Ltd	Intellectual property owner	Australia	Ord	100	100
Leaf Research Pty Ltd	Research & development	Australia	Ord	100	100

30. Parent entity financial information

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

	Note	2016 $	2015 $
Financial Position			
Assets			
Current assets		1,714,187	1,024,633
Non-current assets	30(i)	2,184,865	1,577,684
Total assets		**3,899,052**	**2,602,317**
Liabilities			
Current liabilities		1,066,421	336,110
Non-current liabilities		17,686	600,100
Total liabilities		**1,084,107**	**936,210**
Equity			
Issued capital		40,826,866	37,401,914
Reserves		270,617	78,022
Retained losses		(38,282,538)	(35,813,829)
Total equity		**2,814,945**	**1,666,107**
Financial Performance			
Loss before income tax		(3,015,555)	(2,363,281)
Income tax benefit		546,846	518,980
Total comprehensive loss for the year		**(2,468,709)**	**(1,844,301)**
30(i) Non-current assets			
Loans to subsidiaries		1,588,373	1,531,977
Investment in subsidiaries		120	120
Investment in Zeachem		567,687	24,783
Property, plant and equipment		28,685	20,804
		2,184,865	**1,577,684**

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 2016.

At 30 June 2016 the Company was unable to determine the fair value of the investment in ZeaChem Inc and consequently the investment has been disclosed at cost.

DIRECTORS' DECLARATION

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

(a) the consolidated financial statements and notes of Leaf Resources Limited are in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of its financial position as at 30 June 2016 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 chief financial officer for the financial year ended 30 June 2016.

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
8 September 2016

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

Report on the financial report

We have audited the accompanying financial report of Leaf Resources Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 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 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 2016 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.

Material uncertainty regarding continuation as a going concern

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.

Grant Thornton

Report on the remuneration report

We have audited the remuneration report included in pages 15 to 23 of the directors' report for the year ended 30 June 2016. 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 for the year ended 30 June 2016, 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, 8 September 2016

SHAREHOLDER INFORMATION

The ASX additional shareholder information set out below was applicable as at 30 June 2016.

1. Distribution of equity security holders:

			Ordinary Shares	
Distribution is:			**Shares**	**Options**
1	-	1,000	398	-
1,001	-	5,000	224	-
5,001	-	10,000	99	-
10,001	-	100,000	279	-
100,001	and	Over	181	7
			1181	**7**

2. 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	Mr Russell Charles Wilson	8,453,816	5.92%
2	HSBC Custody Nominees (Australia) Limited	8,178,845	5.73%
3	Mr Michael Robert Beech & Ms Robin Lynn Beech	6,000,000	4.20%
4	Brincliff Pty Ltd	5,500,000	3.85%
5	Kellen Pty Ltd	4,693,956	3.29%
6	Genetic Horizons Pty Ltd	4,079,930	2.86%
7	Mr Allan Omacini	3,334,032	2.34%
8	Netwealth Investments Limited	3,185,385	2.23%
9	Keliri Pty Ltd	3,115,385	2.18%
10	Mr Alexander Bruce Baker & Ms Paula Phan	2,879,062	2.02%
11	Mr Allan John Omacini	2,279,335	1.60%
12	Growth Capital (WA) Pty Ltd	2,250,000	1.58%
13	Mr Geoffrey Macquarie Stooke	2,150,217	1.51%
14	Mr Xuanjun Liu	2,107,061	1.48%
15	Goldbondsuper Pty Ltd	2,100,000	1.47%
16	Mr Allan John Omacini	2,086,459	1.46%
17	PSCC Pty Ltd	1,959,713	1.37%
18	Mr Russell Charles Wilson	1,873,960	1.31%
19	Wakko Enterprises Pty Ltd	1,738,094	1.22%
20	Growth Capital (WA) Pty Ltd	1,615,385	1.13%
		69,580,635	**48.75%**

3. Unquoted equity securities – Options

Date	Number on Issue	Number of Holders
Unlisted 28 October 2018	1,000,000	1
Unlisted 3 September 2018	375,000	1
Unlisted 17 December 2017	2,625,000	3
Unlisted 20 December 2016	1,300,000	2

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 Held	Percentage
Ken Richards	13,024,726	9.1%
Russell Charles Wilson	10,327,776	7.2%
Allan Omacini	9,195,674	6.4%
HSBC Custody Nominees (Australia) Limited	8,178,845	5.7%

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.

CORPORATE DIRECTORY

Board of Directors:	Dr Jay Hetzel Ken Richards Charles Wilson Matthew Morgan
Company Secretary:	Helen Pennisi
Managing Director:	Ken Richards
Registered Office & Principal Place of Business:	2806 Ipswich Road Darra, Queensland, Australia 4076 Telephone: +61 (7) 3188 9040 Facsimile: +61 (7) 3375 1168
Auditors:	Grant Thornton King George Central Level 18 145 Ann Street Brisbane, Queensland, Australia 4000
Stock Exchange:	Leaf Resources Limited shares are listed on the Australian Securities Exchange (ASX)
Bankers:	National Australia Bank Brisbane City Business Bankers Level 22, 100 Creek Street Brisbane, Queensland, Australia 4000
Share Registry:	Link Market Services Level 15, 324 Queen St, Brisbane, QLD, Australia, 4000 Locked Bag A14 South Sydney, NSW, Australia, 1235 Telephone: +61 1300 554 474 Facsimile: +61 (2) 9287 0309
Solicitors:	Corrs Chambers Westgarth Waterfront Place 1 Eagle Street, Brisbane, Queensland, Australia 4000
ASX Code:	LER
Website:	www.leafresources.com.au

LEAF RESOURCES

SUSTAINABLE PRODUCTS FROM PLANT BIOMASS

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