

LEAF RESOURCES

Appendix 4D

Interim Financial Report

For the half-year ended 31 December 2020

ABN 18 074 969 056



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Directors' Report

The Directors of Leaf Resources Limited ('Leaf Resources' or 'Leaf') present their report together with the financial statements of Leaf Resources Limited ('the Company') and its controlled entities ('the Group') for the period ended 31 December 2020.

Directors' details

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

Ken Richards	Chair of the Board – Appointed 22 December 2020 Director – Appointed 31 August 2007 Member of the audit committee – Appointed 28 January 2021
Ramon Mountfort	Managing Director – Appointed 22 December 2020
Grant Yeatman	Executive Director – Appointed 22 December 2020
Terence Gray	Non-executive Director – Appointed 22 December 2020 Chair of the audit committee – Appointed 28 January 2021
Doug Rathbone	Non-executive Director – Appointed 1 November 2016 Member of the audit committee – Appointed 1 November 2016
Alex Baker	Managing Director – Resigned 22 December 2020
Matthew Morgan	Non-executive director – Resigned 22 December 2020
William Baum	Non-executive director – Resigned 22 December 2020

Review of Operations and Financial Results

The Group's operating loss for the half year period was \$8,710,103, (31 December 2019 loss – \$276,524). At 31 December 2020, the Group's net assets totalled \$4,679,527, which included cash assets of \$2,205,148.

During the period, the Company completed the acquisition of Essential Queensland Pty Ltd (see corporate update for further details) which is focused on the construction of the Apple Tree Creek plant.

OPERATIONAL UPDATE

Essential Queensland Acquisition

As announced the Company completed the acquisition of Essential Queensland Pty Ltd (EQ) during the period (see Corporate update below for full details). EQ is synergistic with Leaf's current technology as EQ's extraction process removes chemicals from pine, with the resultant waste wood chip having the potential to become a new strategic biomass supply

for Leaf's Glycell™ process. The Glycell™ process converts non-food plant biomass into lignin and industrial sugars that can be converted into useful, sustainable, renewable chemicals, biodegradable and recyclable biomaterials including bioplastics.

EQ was established in early 2017 to develop and commercialise sustainable extraction and processing technology to produce pine chemicals. Since establishment, EQ has developed a proprietary process to extract rosin and terpenes from pine logs, producing the high quality, clean rosin and terpenes which are used in a multitude of consumer products, including perfumes, cosmetics, food additives, adhesives, disinfectants, synthetic rubbers and printing inks.

In 2019, EQ commissioned a pilot plant and successfully tested pine chemical production at its Apple Tree Creek site in Isis Central, Queensland. In March 2020, after successful pilot plant trials, EQ began to dismantle the pilot plant to make way for a new commercial plant on the same site (**Apple Tree Creek Plant**). The Apple Tree Creek Plant began reconstruction in June 2020 and is intended to produce 8,000 tonnes of pine chemical production per annum.

EQ's technology uses a series of mature and proven technologies (chipping, extraction, steam distillation, and liquid-liquid separation) consistent with solvent extraction processes from plant material. EQ's point of difference lies in the use of a proprietary and innovative pine-based natural solvent to release rosin and terpenes from pine chips.

The process is supported by several different utilities (again proven and mature techniques), including a boiler, condensate recovery system, cooling tower, air compressor, and wastewater treatment system.

During the reporting period the Company was focused on construction of the Apple Tree Creek Plant, subsequent to the reporting period construction had been completed with commissioning underway.

Leaf Resources Malaysia

Leaf's option on the site at Segamat in Malaysia had received extensions due to COVID-19 in 2020 but recently came up for renewal. Given the abundance of land at Segamat and the new focus on EQ the option was not renewed.

Corporate

During the period Leaf completed the acquisition of Essential Queensland Pty Ltd. The transaction, which was approved by Leaf shareholders at the Extraordinary General Meeting held on 27 November 2020, completed on the 22nd December 2020 and resulted in the following:

- The consolidation of Leaf ordinary shares and performance rights on a 17 for every 20 held basis.
- The issue of 1,017,258,367 ordinary shares to Essential Queensland shareholders on the cancellation of 30,826,001 existing Essential Queensland ordinary shares.
- The issue of 11,754,421 ordinary shares of Leaf in lieu of fees totaling \$235,088 owing to officers of the Company as at 30 June 2020.
- The issue of 10,000,000 ordinary shares to Tegis Pty Ltd who acted as corporate advisor to the transaction.

- The issue of 34,455,861 share options and 33,000,000 performance rights in Leaf as consideration for the cancellation of 1,044,117 shares options and 1,000,000 performance rights issued by Essential Queensland.

As part of the transaction with Essential Queensland the Company also undertook a \$3,000,000 capital raising to fund growth and re-compliance with chapters 1 & 2 of the listing rules. The capital raising was undertaken at \$0.02 and resulted in the issue of 150,000,000 ordinary shares. The capital raising was strongly supported by a range of institutional and retail investors across Australia and New Zealand, representing both new and existing shareholders.

Outlook for 2021

Leaf is currently commissioning the Apple Tree Creek plant and once the initial plant is established and operating at steady state, management will begin optimising the plant to expand capacity by focusing on activities that drive efficiency within the plant, including:

1. enhancing systems through normalisation of unit operations;
2. review and develop measurable standards for operations, quality, safety and the environment; and
3. design and incorporate specified control loops and include ruggedisation and adaption of the controls in the manufacturing process through automation.

This important process of optimisation is expected to improve production rates and yields generating an operational capacity greater than the initial expected rate of 8,000 tonnes per annum. In addition, management has begun the initial assessment process on expansion opportunities, which may include the potential for brownfields expansion and/or new greenfield operations both domestically and internationally. The Company's vision is to become the global supplier of sustainable natural chemicals.

Events arising since the end of the reporting period

Since 31 December 2020 the following matters have arisen which may significantly affect the operations of the Group:

- On 16 February 2021, the Company announced the issue of 1,583,333 ordinary shares to Sequoia Corporate Finance in relation to the ongoing corporate advisory role to the Company.
- As announced on 29 March 2021, construction of the Apple Tree Creek plant had completed and commissioning had commenced with terpene and rosins now being produced. In addition, the Company announced that it had drawn a loan of \$1,300,000 against its 2021 financial year research and development credits. The loan will be used to advance growth at the Apple Tree Creek site.

Rounding of amounts

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

Auditor's independence declaration

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

Directors' authorisation

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



Ken Richards

Chairman

Maryborough, Queensland, Australia

30 March 2021



Ramon Mountfort

Managing Director

Maryborough, Queensland, Australia

30 March 2021

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Auditor's Independence Declaration to the Directors of Leaf Resources Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Leaf Resources Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



M S Bell
Partner - Audit & Assurance

Brisbane, 30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 31 December 2020

	Notes	31-Dec 2020 \$	31-Dec 2019 \$
Revenue		6,035	8,596
Interest Income		26,622	1,380
Government Covid-19 assistance		206,693	-
Research & Development credits		614,690	256,140
Other income		-	7,205
Plant operational expenses		(814,652)	(95,136)
Depreciation and amortisation		(97,058)	(82,609)
Employee and consultant expenses		(721,127)	(242,127)
Administrative expenses		(30,148)	(68,983)
Finance costs		(62,812)	(60,990)
Share based payments	17	(298,301)	-
Reverse acquisition – in process R&D expense (provisional basis)	5	(7,515,114)	-
Foreign currency losses		(24,931)	-
Loss before income tax		(8,710,103)	(276,524)
Income tax benefit		-	-
Loss for the period		(8,710,103)	(276,524)
Other comprehensive income		-	-
Total comprehensive loss for the period attributable to equity holders of the Company		(8,710,103)	(276,524)
Earnings Per Share from Continuing Operations			
Basic loss per share (cents)	8	(0.84)	(0.03)
Diluted loss per share (cents)	8	(0.84)	(0.03)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	31-Dec 2020 \$	30-Jun 2020 \$
Current Assets			
Cash and cash equivalents	10	2,205,148	1,390,260
Trade and other receivables	11	832,425	657,124
Other current assets	12	107,699	66,082
Total Current Assets		3,145,272	2,113,466
Non-Current Assets			
Property, plant and equipment	7	4,328,306	2,498,086
Intangible assets (provisional basis)	5	-	-
Other non-current assets	12	121,569	117,069
Total Non-Current Assets		4,449,875	2,615,155
Total Assets		7,595,147	4,728,621
Current Liabilities			
Trade and other payables	13	484,583	116,636
Borrowings		300,000	233,282
Lease Liability	14	251,629	176,051
Provisions	15	139,456	37,842
Total Current Liabilities		1,175,668	563,811
Non-Current Liabilities			
Lease Liability	14	1,739,952	1,473,989
Total Non-Current Liabilities		1,739,952	1,473,989
Total Liabilities		2,915,620	2,037,800
Net Assets		4,679,527	2,690,821
Equity			
Equity attributable to owners of the parent:			
Issued capital	16	15,303,829	4,903,322
Reserves		365,911	67,610
Accumulated losses		(10,990,213)	(2,280,111)
Total Equity		4,679,527	2,690,821

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2020

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2020	4,903,322	(2,280,110)	67,610	2,690,822
Loss for the period	-	(8,710,103)	-	(8,710,103)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	(8,710,103)	-	(8,710,103)
Shares issued	10,651,308	-	-	10,651,308
Share issue transaction costs	(250,801)	-	-	(250,801)
Share based payments – options & rights	-	-	298,301	298,301
Total transactions with owners	10,400,507	-	298,301	10,698,808
Balance at 31 December 2020	15,303,829	(10,990,213)	365,911	4,679,527
Balance at 1 July 2019	2,487,851	(1,374,641)	-	1,113,210
Loss for the period	-	(276,524)	-	(276,524)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	(276,524)	-	(276,524)
Total transactions with owners	-	-	-	-
Balance at 31 December 2019	2,487,851	(1,651,166)	-	836,685

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 December 2020

	Notes	31-Dec 2020 \$	31-Dec 2019 \$
Net cash flows from operating activities			
Receipts from customers		340	22,024
Government Covid-19 assistance		209,693	-
Payments to suppliers & employees		(1,734,577)	(478,820)
Interest received		321	1,380
Interest Paid		(61,569)	(60,990)
R&D tax incentive refund		637,216	712,249
Net cash used in operating activities		(948,576)	195,843
Cash flows from investing activities			
Payment for plant & equipment		(1,511,955)	(21,926)
Cash acquired on completion of transaction		50,887	-
Net cash provided by investing activities		(1,461,068)	(21,926)
Cash flows from financing activities			
Proceeds from issue of shares		4,180,000	-
Share issue transaction costs		(300,480)	-
Proceeds from / (repayment of) Borrowings		(533,282)	-
Payment of principal portion of lease payments		(96,775)	(123,798)
Net cash provided by (used in) financing activities		3,249,463	(123,798)
Net increase in cash and cash equivalents		839,819	50,119
Foreign exchange losses		(24,931)	-
Cash and cash equivalents at the beginning of the period		1,390,260	21,017
Cash and cash equivalents at the end of the period		2,205,148	71,136

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of operations

Leaf Resources Limited and its Subsidiaries ('the Group') principal activities include the commercialisation of the newly acquired natural pine chemical extraction process and its proprietary Glycell™ process.

2. General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 31 December 2020 and are presented in Australian Dollar (\$AUD), which is the functional and presentational currency of the Parent Company. These general purpose interim financial reports have been prepared in accordance with the requirements of the *Corporations Act 2001* and *AASB 134 Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2020 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 30 March 2021.

Going Concern

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

3. Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except as set out below:

In the current year, the Group has adopted all the amendments and interpretations issued by the Australian Accounting Standards Board that are mandatory to be effective for an accounting period beginning on or after 1 January 2020. The new or amended standards did not have an impact on the group's accounting policies and did not require retrospective adjustments.

Lease assets and liabilities

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability.

The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

4. Estimates

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

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2020.

5. Change in composition of the Group

Leaf Resources Ltd (the "Company") completed the acquisition of 100% of the ordinary shares of Essential Queensland Pty Ltd (Essential Queensland) (the "Transaction") during the reporting period. The Transaction has many of the features of a reverse acquisition under Australian Accounting Standards AASB 3 "Business Combinations", notwithstanding the Company being the legal parent of the Group. Consequently, the historical financial information presented in this report for the half-year ended 31 December 2020 is the historical financial information of Essential Queensland.

The acquisition of the Company by Essential Queensland is outside the scope of AASB 3 as the accounting acquiree does not constitute a business as defined by this standard. In this instance, the principles of reverse acquisition accounting are applied to determine the accounting acquirer but the transactions are accounted for as reverse acquisition expense by the accounting acquirer in accordance with AASB 2 "Share-based Payment".

The legal structure of the Group subsequent to the acquisition of Essential Queensland is that the Company is the legal parent entity. However, the principles of reverse acquisition accounting are applicable where the owners of the acquired entity (in this case, the Company) obtain control of the acquiring entity (in this case, Essential Queensland) as a result of the business' combination.

Under reverse acquisition accounting, the consolidated financial statements are issued under the name of the legal parent (the Company) but are a continuation of the financial statements of the legal subsidiary (Essential Queensland), with the assets and liabilities of the legal subsidiary being recognised and measured at their pre-combination carrying amounts rather than their fair values.

As per AASB 3 the Company has applied the provisional basis for accounting with regards to the accounting treatment of the business combination. Given the transaction completed on 22 December 2020 just prior to the reporting date of 31 December 2020 the Company is currently in the process of reviewing the various components of the business combination as of the acquisition date in accordance with the standard. The key areas of focus relate to the intangible assets and equity interests acquired as a result of the transaction, the Company will look to undertake further work around these focus areas which may include an independent valuation of the In process Research and Development of the Glycell technology. The valuation will be reflected in future financial statements.

The below table outlines the initial recognition and fair value of the Leaf Resources group acquired under the reverse acquisition at 22 December 2020 which was the transaction completion date and date on which control of the Company was obtained by Essential Queensland.

		Initial Recognition 22 Dec 2020 \$
Current Assets		
Cash and cash equivalents		50,887
Trade and other receivables		54,879
Total Current Assets		105,766
Non-Current Assets		
Property, plant and equipment		10,455
Intangible assets – In process Research and Development (provisional basis)	5 (a)	-
Total Non-Current Assets		10,455
Total Assets		116,221
Current Liabilities		
Trade and other payables		847,965
Borrowings – Essential Queensland		600,000
Provisions		147,150
Total Current Liabilities		1,595,115
Total Non-Current Liabilities		-
Total Liabilities		1,595,115
Net Assets		(1,478,894)
Deemed consideration		6,036,220
Reverse acquisition – In process R&D expense (provisional basis)	5(a)	7,515,114

5(a) The reverse acquisition – in process R&D expense has been provisionally calculated. The Directors believe that the in process research and development related to the Glycell™ technology acquired by Essential Queensland through the reverse acquisition of Leaf Resources has considerable value.

Given the transaction completed on 22 December 2020 the Company has not had sufficient time to estimate a reliable fair value at the time of reporting and on that basis no amount has been recognised for financial reporting purposes. A valuation may be obtained and will be used to finalise the provisional accounting and this will reduce the reverse acquisition – in process R&D expense to be reflected in the 30 June 2021 financial statements.

The consideration for the transaction was based on the price in the public offer of \$0.02 per Leaf Resources ordinary share multiplied by the number of Leaf shares on issue at 21 December 2020 being 301,810,982, giving a total deemed consideration of \$6,036,220.

There was no revenue generated by the acquiree for the period between the transaction completion date and the reporting period. The acquiree incurred a loss of \$7,827,146 for the period between the transaction completion date and the reporting date.

Proforma revenue and loss for the combined entity for the current interim period as though the acquisition date for the business combination had occurred at the beginning of the current interim period would be: Revenue of \$6,035 and a Loss of \$9,334,639. The comparative information for the six months to 31 December 2019 presented in the consolidated financial statements is that of Essential Queensland Pty Ltd.

The total receivables of \$54,879 included in the initial recognition predominately relate to GST refunds receivable from the Australian Taxation Office which have since been received in full.

5 (b) The consolidated financial statements of Leaf Resources Limited have been prepared as a continuation of the business and operations of Essential Queensland Pty Ltd.

The implications of the acquisition by Essential Queensland Pty Ltd on the financial statements are as follows:

(i) Statement of Comprehensive Income

- The six months to 31 December 2020 statement of comprehensive income comprises the full six months for Essential Queensland Pty Ltd and the period from 22 December 2020 to 31 December 2020 for Leaf Resources Limited.
- The six months to 31 December 2019 statement of comprehensive income comprises the full comparative period for Essential Queensland Pty Ltd only.

(ii) Statement of Financial Position

- The 31 December 2020 statement of financial position represents the combination of Essential Queensland Pty Ltd and Leaf Resources Limited.
- The 30 June 2020 statement of financial position represents Essential Queensland Pty Ltd only.

(iii) Statement of Changes in Equity

The six months to 31 December 2020 statement of changes in equity comprises:

- The equity balance of Essential Queensland Pty Ltd as at the beginning of the period (1 July 2020).
- The total comprehensive income for the period and transactions with equity holders, being the six months ended 31 December 2020 for Essential Queensland Pty Ltd and the period from 22 December 2020 to 31 December 2020 for Leaf Resources Limited
- The equity balance of the combined Essential Queensland Pty Ltd and Leaf Resources Limited at the end of the period (31 December 2020).
- The six months to 31 December 2019 comprises the full period for Essential Queensland Pty Ltd only.

(iv) Statement of Cashflows

The six months to 31 December 2020 statement of cashflows comprises:

- The cash balance of Essential Queensland Pty Ltd at the beginning of the period (1 July 2020).
- The transactions for the six months period to 31 December 2020 for Essential Queensland Pty Ltd and from 22 December 2020 to 31 December 2020 for Leaf Resources Limited.
- The cash balance of the combined Essential Queensland Pty Ltd and Leaf Resources Limited at the end of the period (31 December 2020).
- The six months to 31 December 2019 comprises the full period of Essential Queensland Pty Ltd only.

6. Segment information

Description of segments

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

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

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

7. Property, plant and equipment

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

	Plant & Equipment	Motor Vehicles	Property Leases – Right of use	Total
	\$	\$	\$	\$
Cost	1,585,808	77,232	1,226,744	2,889,784
Accumulated depreciation	(191,739)	(31,282)	(168,677)	(391,698)
Closing balance at 30 June 2020	1,394,069	45,950	1,058,067	2,498,086
Cost	3,460,610	77,232	1,279,221	4,817,062
Accumulated depreciation	(244,647)	(38,933)	(205,177)	(488,756)
Closing balance at 31 December 2020	3,215,963	38,299	1,074,044	4,328,306

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

	Plant & Equipment	Motor Vehicles	Property Leases – Right of use	Total
	\$	\$	\$	\$
Opening written down value 1 July 2019	1,114,574	54,302	1,119,404	2,288,280
Additions	447,219	5,000	-	452,219
Disposals	(75,691)	-	-	(75,691)
Depreciation	(92,033)	(13,352)	(61,337)	(166,722)
Closing written down value at 30 June 2020	1,394,069	45,950	1,058,067	2,498,086
Opening written down value 1 July 2020	1,394,069	45,950	1,058,067	2,498,086
Additions	1,864,347	-	52,476	1,916,823
Additions as part of the transaction with Essential Queensland	10,455	-	-	10,455
Disposals	-	-	-	-
Depreciation	(52,908)	(7,651)	(36,499)	(97,058)
Closing written down value at 31 December 2020	3,215,963	38,299	1,074,044	4,328,306

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

8. Earnings per share

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the parent company (Leaf Resources Ltd for 31 Dec 2020 and Essential Queensland Pty Ltd for 31 Dec 2019) as the numerator, i.e. no adjustments to profits were necessary during the six (6) months period to 31 December 2020 and 31 December 2019.

Reconciliation of earnings used in calculating earnings per share	31 Dec 2020 \$	31 Dec 2019 \$
Loss attributable to the parent entity used in the calculation of basic and dilutive EPS	(8,710,103)	(276,524)
Loss attributable to the parent entity	(8,710,103)	(276,524)
Weighted average number of ordinary shares	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,030,876,001	814,687,500
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per shares	1,030,876,001	814,687,500
Loss per share and Diluted loss per share (cents)	(0.84)	(0.03)

9. Calculation of dilutive EPS

As at 31 December 2020 there are 78,058,526 (31 December 2019: nil) unlisted options and performance rights on issue which were not included in the calculation of diluted earnings per share due to being anti-dilutive.

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

10. Cash and cash equivalents

Cash and cash equivalents include the following components:

	31 Dec 2020 \$	30 June 2020 \$
Cash at bank and in hand		
Cash held in AUD	2,184,550	849,094
Cash held in USD (converted to AUD)	20,493	541,166
Cash held in EURO (converted to AUD)	105	-
Cash and cash equivalents	2,205,148	1,390,260

11. Trade and other receivables

	31-Dec-20 \$	30-Jun-20 \$
Trade receivables	11,274	2,096
R&D tax incentive receivables	614,690	637,216
GST receivable	187,038	17,812
Other receivables	19,423	-
Net trade receivables	832,425	657,124

All amounts are short-term excluding the R&D tax incentive receivable which will be receivable once the Company lodges the R&D tax return in July 2021. 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 credit loss is recognised when there is objective evidence that an individual trade or other receivable is impaired.

12. Other assets

	31-Dec-20 \$	30-Jun-20 \$
Current:		
Prepayments	8,333	8,333
Deposits	99,234	-
Other current assets	132	57,749
Total current other assets	107,699	66,082
Non-Current:		
Deposits	121,167	116,667
Other current assets	402	402
Total non-current other assets	121,569	117,069

13. Trade and other payables

Trade and other payables consist of the following:

	31-Dec-20	30-Jun-20
	\$	\$
Trade payables	304,560	190
Accruals	180,023	116,446
Total trade and other payables	484,583	116,636

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

14. Lease Liabilities

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

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

The operational site lease and corporate office lease include an option in favour of the Company for an additional 10 years and 3 years respectively. The lease liabilities included below have been based on the fixed lease period and do not include the potential option period.

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

	31-Dec-20	30-Jun-20
	\$	\$
Beginning of the period	1,650,040	1,902,160
Addition	439,510	-
Interest Expense	54,562	117,265
Payments	(152,531)	(369,385)
Closing Balance	1,991,581	1,650,040
Current	251,629	176,051
Non-Current	1,739,952	1,473,989
Closing Balance	1,991,581	1,650,040

15. Provisions

The liabilities recognised for provisions consist of the following amounts:

	31 Dec 2020	30 June 2020
Current	\$	\$
Employee leave entitlements ^(a)	89,456	37,842
Mining rehabilitation provisions ^(b)	50,000	-
Total current provisions	139,456	37,842

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

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

16. Issued capital

Fully paid ordinary shares

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

	31 Dec 2020 Number	31 Dec 2020 \$	30 June 2020 Number	30 June 2020 \$
Movements in ordinary share capital				
Balance at beginning of financial year	354,099,144	4,903,322	305,206,674	2,487,851
Shares issued (a)	-	1,180,000	-	-
Share consolidation 20:17(b)(i)	(52,288,183)	-	-	-
Shares issued (b)(ii)	1,017,258,367	6,036,220	-	-
Shares issued (b)(iii)	11,754,421	235,088	-	-
Shares issued (b)(iv)	150,000,000	3,000,000	-	-
Shares issued (b)(v)	10,000,000	200,000	-	-
Issue of shares	-	-	4,505,126	2,340,151
Share based payments	-	-	3,841,204	125,000
Share issue costs	-	(250,801)	-	(49,680)
Total contributed equity	1,490,823,749	15,303,829	354,099,144	4,903,322

Notes for the above table, relating to the half year ended 31 December 2020, are:

- (a) On 31 July 2020, Essential Queensland successfully completed a placement raising \$1,180,000 through the issue of 1,787,879 ordinary shares.
- (b) On 22 December 2020, the Company successfully completed the transaction with Essential Queensland. The transaction included the following share issues:
 - (i) Following completion of the transaction the shares in Leaf Resources were consolidated at a ratio of 17 for every 20 held.
 - (ii) The issue of 1,017,258,367 ordinary shares with a value of \$6,036,220 to acquire the Leaf Resources group as per the reverse acquisition treatment.
 - (iii) Following shareholder approval at the Company's EGM held on 27 November 2020 the issue of 11,754,421 ordinary shares in lieu of fees totaling \$235,088 owing to officers of the Company as at 30 June 2020.

- (iv) Following the successful capital raising attached to the transaction the issue of 150,000,000 ordinary shares raising \$3,000,000 before transaction costs.
- (v) The issue of 10,000,000 ordinary shares to Tegis Pty Ltd who acted as corporate advisor to the transaction.

17. Share based payments

	31 Dec 2020 \$	30 Jun 2020 \$
Share based payments reserve		
Movements:		
Balance at beginning of the financial year	67,610	-
Cost of share-based payment	298,301	67,610
Balance at the end of the reporting period	365,911	67,610

As part of the transaction between the Company and Essential Queensland the Group undertook the cancellation of options and performance rights held by Essential Queensland Directors and in consideration issued the following options and rights reconstructed on a like for like basis. This was treated as a modification of share-based payments under AASB2:

	Director Options	Director Options	Director Performance Rights
Exercise Price	\$0.03	\$0.023	Nil
Expiry Date	31-Oct-21	1-Mar-25	3-Aug-23
Risk-free rate	0.25%	0.25%	0.25%
Volatility	70%	70%	70%
Value per option	\$0.0046	\$0.0108	\$0.01
Number of options/rights	9,705,861	24,750,000	33,000,000
Total value of options/rights	\$44,761	\$267,408	\$330,000
Amount expensed in prior years	\$5,446	\$62,164	-
Amount expensed in current period	\$39,315	\$205,244	\$53,450
Amount to be expensed in future periods	-	-	\$276,550
Model used	Black Scholes	Black Scholes	Black Scholes

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

The fair value is recognised as an expense over the vesting period. In addition to the above, \$209 of the value relating to equity securities granted in previous periods was expensed to the statement of comprehensive income during the period to 31 December 2020.

18. Commitments and contingent liabilities

Contingent Liabilities

The company has entered into a wood supply agreement with HQ plantations. Under the terms of the agreement the Company has the following contingent liabilities at 31 December 2020:

Bank Guarantee:

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

Take or Pay Provisions:

There are certain take or pay provisions under the wood supply agreement. The Company has a strong working relationship with HQ plantations and has recently re-negotiated its supply agreement to increase the supply arrangement to meet the feedstock requirements of the extraction plant currently under construction, as part of those negotiations the historical take or pay obligations were relieved and offset against future take or pay volumes.

19. Events subsequent to balance date

Since 31 December 2020 the following matter has arisen which may significantly affect the operations of the Group:

- On 16 February 2021, the Company announced the issue of 1,583,333 ordinary shares to Sequoia Corporate Finance in relation to the ongoing corporate advisory role to the Company.
- As announced on 29 March 2021, construction of the Apple Tree Creek plant had completed and commissioning had commenced with terpene and rosins now being produced. In addition, the Company announced that it had drawn a loan of \$1,300,000 against its 2021 financial year research and development credits. The loan will be used to advance growth at the Apple Tree Creek site.

DIRECTORS' DECLARATION

In the opinion of the directors of Leaf Resources Limited:

- (a) the consolidated financial statements and notes of Leaf Resources Limited for the half year ended 31 December 2020 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that Leaf Resources Limited will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the half-year ended 31 December 2020.

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



Ken Richards

Chairman

Maryborough, Queensland, Australia

30 March 2021

Independent Auditor's Review Report

To the Members of Leaf Resources Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Leaf Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

- (a) giving a true and fair view of Leaf Resources Limited's financial position as at 31 December 2020 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



M S Bell
Partner – Audit & Assurance

Brisbane, 30 March 2021

Corporate Directory

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

Company Secretary: Tim Pritchard

Managing Director: Ramon Mountfort (appointed 22 December 2020)

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

Auditors: Grant Thornton
King George Central
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Brisbane, Queensland, Australia 4000

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

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Brisbane, Queensland, Australia 4000

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