



foresta

Annual Report 2023



Table of Contents

| | |
|------------------------------------|----|
| Independent Audit Report | 3 |
| Chairman's Message | 6 |
| Director's Report | 11 |
| Auditor's Independence Declaration | 25 |
| Financial Statements | 26 |
| Notes to the Financial Statements | 30 |
| Director's Declaration | 61 |
| Shareholder Information | 62 |
| Corporate Directory | 64 |



Independent Auditor's Report

To the Members of Foresta Group Holdings Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Foresta Group Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, 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, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

We draw attention to Note 3 in the financial statements, which indicates that the Group incurred a net loss of \$8,208,788 and had negative cash flows from operating activities of \$3,461,111 during the year ended 30 June 2023. As stated in Note 3, these events or conditions, along with other matters including the relocation of the Group's operations to New Zealand and the need to raise additional capital, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

www.grantthornton.com.au
ACN-130 913 594

Grant Thornton Audit Pty Ltd ACN 130 913 594 a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127 556 389 ACN 127 556 389. 'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Limited is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 ACN 127 556 389 and its Australian subsidiaries and related entities. Liability limited by a scheme approved under Professional Standards Legislation.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter

How our audit addressed the key audit matter

Carrying value of non-financial assets (Notes 5, 13, 16)

During the current period, the Group announced a decision to relocate its pine chemical plant operations from Apple Tree Creek, Queensland to Rotorua, New Zealand. This decision caused Management to evaluate whether there were any indicators of impairment with respect to the Group's non-financial assets. This evaluation concluded that indicators of impairment were present and that impairment testing of the assets was required.

In completing the impairment testing, Management was required to consider, amongst other matters, the following:

- Determining which assets at the Apple Tree Creek location were to be written off, disposed through sale or relocated to New Zealand, and adjusting their carrying values accordingly; and
- Assessing the right of use asset relating to the Apple Tree Creek lease for impairment.

The assessment of the carrying value of the non-financial assets is considered a key audit matter due to the judgement and estimation involved in determining the recoverable amount of these assets and disclosures in the financial report.

Our procedures included, amongst others:

- Reviewing and challenging Management's assessment of impairment indicators under AASB 136 *Impairment of Assets*;
- Reviewing and challenging Management's position paper regarding assessment of assets held for sale under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*;
- Holding discussions with Management to understand the plans for specific plant assets to be transferred to the New Zealand location, sold or written off, and obtaining corroborating evidence for these plans and corresponding values;
- Evaluating the accounting treatment for replacement assets purchased during the year that are not yet available for use, and testing these additions to arms-length contracts, invoices and payments;
- Reviewing and challenging Management's assessment of the fair value less costs of disposal of the Apple Tree Creek right of use asset;
- Assessing the competence, capability and objectivity of Management's external expert who valued the assets at the Apple Tree Creek location, including those held for sale;
- Assessing the reasonableness of the methodology and assumptions applied, as well as the relevance and reliability of the data used to support the carrying value of the assets;
- Assessing the appropriateness and adequacy of disclosures included in the financial report.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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* and for 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.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 17 to 22 of the Directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Leaf Resources Limited, for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.


Responsibilities

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.



Grant Thornton Audit Pty Ltd

Chartered Accountants



M C Bragg
Partner – Audit & Assurance

Brisbane, 6 October 2023

Chairman's Message

Dear Shareholders,

2023 was a very special and important year for the history of the Company.

During the year we have welcomed new significant shareholders to invest in our Company via our capital-raising efforts. On 6 April 2023, we formed a new board, followed by the appointment of a new Company Secretary on 1 July 2023.

One of the most exciting developments is that the company name has changed officially to Foresta Group Holdings Limited (ASX: FGH) as of 7 August 2023 following the tremendous support of shareholders at the Extraordinary General Meeting (EGM) in which shareholders voted as high as 95.25% in favour of the resolution. It is really gratifying at a personal level to witness such overwhelming support from company shareholders.

This is indeed the brand-new chapter in the history of the Company. We will now be operating under the new company name and corporate image. Moreover, we have a newly designed company logo, slogans, business cards, marketing materials as well as a new company website, together with the recent establishment of new offices in New Zealand.

In addition to the abovementioned activities, we have been fortunate to recruit a few very experienced, talented and highly skilled people to join our operations team in New Zealand.

With the hard work and positive momentum of our strengthened operations team, Foresta recently signed a Term Sheet with Ground Base Solutions Ltd ("GBS") for the supply of approximately 100,000 tonnes of stumps per annum for our proposed integrated manufacturing facility at Rotorua, New Zealand on 13 June 2023.

The Term Sheet will be conditional upon the Company constructing and commissioning the manufacturing facility (Condition Precedent) and the term of the Term Sheet will be five (5) years from the date of satisfaction or waiver of the Condition Precedent.

This supply arrangement represents approximately 50% of Foresta's required annual feedstock for the Rotorua processing plant. The remaining 50% of feedstock is expected to come from logs sourced from annual harvesting in the local region.

Furthermore, we have filed a new technology patent with IP Australia (Australian Provisional Patent Application 2023902101) on 28 July 2023. This patent application protects the invention that integrates the Company's patented organic solvent extraction process together with its wood pellet and torrefied wood pellet production process.

This exciting development underpins the technologies that the Company has developed for its initial integrated processing plant in Rotorua, New Zealand, that will enable the manufacture of torrefied wood pellets alongside the natural rosins and terpene chemicals.

The integration of these processes continues to strengthen the Company's position as globally in extracting the highest value from sustainably grown pine plantations as well as developing commercially viable decarbonisation projects. This demonstrated our integrated total solution green supply chain business model and the opportunities available herein.

Most recently on 11 August 2023, our wholly owned subsidiary Foresta NZ Limited and Tailored Energy Resources Limited signed a Term Sheet in relation to an offtake agreement for the supply of up to 400,000 tonnes per annum of torrefied wood pellets. The initial term is for a period of eight (8) years and supply of approximately 2,400,000



tonnes of torrefied wood pellets in total, commencing at the commissioning of the proposed integrated manufacturing facility at Rotorua, New Zealand.

Tailored Energy Resources Limited is an energy distribution company based in the South Island, New Zealand, supplying solid fuels, mainly coal and wood pellets, for raw resource processing such as milk, meat and wool as well as energy supply for industrial heating of schools, hospitals and horticulture since 1936.

Tailored Energy Resources Limited wish to offer their South Island client base an alternative energy fuel source that fits with their current infrastructure and reduces the burden of the Emissions Trading Scheme on their business.

The Company is also in similar discussions with other key domestic end users on a confidential basis.

At an international level, the Company is in advanced discussions under our consideration with a couple of large corporations about offshore offtake arrangements in relation to the supply of organic pine chemicals. We will be pleased to make any such related announcements to the market in due course.

Personally, I am delighted and deeply honoured to assume the role as the Chairman of the Company. The board and management are aiming to shape the strategic direction of the Company in building the leading international biomass supply chain and fulfill the business aspirations of the Company in the near future.

Yours sincerely,

Henry Cheng
Executive Chairman
ForestaGroup Holdings Limited (ASX:FGH)
31 August 2023

Review of Operations

The Directors are pleased to present the 2023 annual report for the consolidated entity consisting of Foresta Group Holding Limited (formerly Leaf Resources Limited, “the Company” or “Foresta”) and its controlled entities (“the Group”).

Company name change

Following Shareholder approval at a General Meeting on 7 August 2023, the Company has changed its name from Leaf Resources Limited to Foresta Group Holdings Limited. The change was approved by ASIC and the ASX, and the Company adopted the new ASX Ticker: FGH.

Decision to move operations to New Zealand

On 29 November 2022, the Company announced the Board decision to relocate its factory from Queensland to Rotorua, New Zealand. The decision was driven by the considerable advantages offered by the new location.

The chosen site in Rotorua boasts a strategic location with easy access to a wood/stump supply, which aligns perfectly with the Group’s operations. Additionally, being situated within an industrial park, the site already possesses several necessary permits and a substantial portion of external infrastructure, such as roads and power supply.

The Group has taken significant steps towards realising this move. A memorandum of understanding (MOU) has been executed for the lease of the site in Rotorua, and negotiations for an Agreement to Lease with the landowners are currently underway.

The Group has completed the dismantling of the chemicals extraction plant acquired in May 2022. Securing the plant with a capacity to produce 16,000 tonnes per annum of natural and renewable pine chemical products is of great significance within the global pine chemicals industry, highlighted by a visit from senior representatives of Yasuhara Chemicals Co. Ltd, the Group’s pine chemical offtake partner, for a site tour in Rotorua.

The Company established a trading company, Foresta (NZ) Limited, in New Zealand in December 2022 and entered into a lease agreement for corporate offices in Papamoa, New Zealand in May 2023. In line with New Zealand government requirements, the Group is also obtaining approval from the New Zealand Overseas Investment Office for the considerable investment and operations that are in works.

The Group continues to plan and design the new factory and are preparing to raise capital for the project.

Operations at Apple Tree Creek

In light of the decision to rebuild the factory in New Zealand, the Group is now in the final stages of winding down its operations at Apple Tree Creek. The Group is currently considering its future use over the site and has several options related to research and development.

As a result of the incident at Apple Tree Creek in November 2021, the Company employed a third-party contractor to complete laboratory testing for the in-process chemical concentrate produced at the plant. Their evaluation deemed that, under the proper and correct handling conditions, the concentrate meets the required standards for export and reuse. Following the incident, a prohibition in relation to the volatility of the chemicals was placed, which has since been lifted.

The Company is continuing to work with third-party claims preparation experts to assess the damages from the Apple Tree Creek incident. In December 2022 the factory insurer offered compensation of \$400,000 as final settlement of the claim, which the Group has not accepted the insurer’s assessment due the disparity on the costs required to rebuild the factory. The Company is expecting the third-party claims experts to complete their reports within the fourth quarter of 2023, and the Company anticipates announcing the results to investors, at which time the Group will be able to negotiate the terms of final settlement over the claim.

On 30 June 2023 the Group's wood supply agreement with HQ Plantations matured. The agreement was trading under force majeure as a result of the factory incident in November 2021. The Group has no further liability or obligations under the expired agreement and are expecting its \$100,000 bank guarantee to be returned within the fourth quarter of 2023.

Board restructure

During the period, there have been several changes to the composition of the Board. On 21 July 2022, Mr Grant Yeatman stepped down from the Board and continued with his role as Chief Operating Officer of the Company, leading the plant rebuild in New Zealand. Additionally, on 31 December 2022, Mr Terrence Gray resigned from the Board.

The Company welcomed Mr Pai-Heng (Henry) Cheng and Dr Maurizio (Maurice) Fabiani to the Board in April 2023. Simultaneously, Mr Ken Richards and Mr Douglas Rathbone stepped down from the Board. Both Mr Cheng and Dr Fabiani have been appointed as executive directors and are working actively on the Company's growth and business strategy as well as collaborating with Managing Director, Mr Ray Mountfort, to advance the development of the Company's flagship project in New Zealand. Mr Cheng was subsequently appointed as Chairman of the Board on 20 June 2023.

Commenting on the changes to the Board, Mr Mountfort said: *"I am most pleased to welcome Mr Cheng and Dr Fabiani to the Board of Foresta. I am very excited at the opportunity to collaborate with them and I look forward to working together to set the strategic direction of the Company as we enter this new phase to shape Foresta's future. I wish to express my gratitude to the outgoing Board members, Mr Ken Richards and Mr Doug Rathbone, for their service and commitment to the Company over the years, particularly during the recent challenging period."*

Corporate Update

Conversion of notes

The Company issued 1,510,000 convertible notes to external investors at a face value of \$1.00 per note in May 2022. The subscription sum accrued interest equal to 1.00% per month until the conversion date. The notes were converted into shares during July 2022, at a conversion price of \$0.027 per share. During July 2022, all parties agreed to a variation on the convertible notes deed where noteholders would receive one share option for every two shares acquired as part of the conversion, at an exercise price of \$0.045 per option and with an expiry date of 31 August 2023. The issue of options was approved by shareholders on 7 September 2022.

July 2022 capital raise

The Company completed a \$5,100,000 capital raise to fund the acquisition and dismantling of replacement plant. The capital raise was undertaken at \$0.03 and resulted in the issue of 156,666,667 ordinary shares in July, and an additional 13,333,333 ordinary shares were committed and issued in September 2022. The capital raise was strongly supported by a range of institutional and sophisticated investors across Australia and New Zealand, representing both new and existing shareholders. All shareholders also received one share option for every two shares acquired as part of the capital raise, at an exercise price of \$0.045 per option with an expiry date of 31 August 2023. The issue of options was approved by shareholders on 7 September 2022.

April 2023 placement

On 3 April 2023 the Company completed the settlement of a private placement in the amount of \$3.024 million via the issue of 252 million ordinary shares at \$0.012. Investors also received one free attaching option per share

acquired, at an exercise price of \$0.045 per option with an expiry date of 31 December 2025. The issue of options was approved by shareholders on 13 June 2023.

Outlook for 2023-24

Foresta will continue working on its technology and positioning the Group to spearhead the reduction of coal use globally. The Group's technology (patents pending) differentiates it from other producers of coal replacements and allow for higher returns and increased market share.

Foresta will be securing investment for the construction of the Group's flagship factory in New Zealand. The Company is currently working with corporate advisors to secure funding that will enable the Group to meet its commitments over the next 12month.

After the initial funding has been secured, the Group will seek project funding through a mixture of equity, debt and government funding. Project funding will allow the Group to start building the chemicals extraction and wood pellet plant in Rotorua New Zealand. As part of the project, the Group will finalise its agreement to lease, start earthworks, finalise design and necessary consents, and order long lead time plant.

The Group is also expecting to receive an outcome from its third-party assessment of the damages in relation to the incident at Apple Tree Creek in November 2021. The Group is expecting a favourable assessment which will allow it to receive further recoveries from its insurer.



Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity consisting of Foresta Group Holdings Limited and the entities it controlled at the end of, or during, the year ended 30 June 2023.

Directors

The following persons were directors of Foresta Group Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

PAI-HENG (HENRY) CHENG (appointed 6 April 2023)

Chairman

Mr Henry Cheng is a senior management and board executive with over 35 years of extensive experience in international business, resources, insurance, investment, finance and banking.

Henry has developed strong global networks, having travelled extensively and worked in many countries. He has forged well established and influential relationships at senior executive and board level with publicly-listed and private companies as well as leading financial institutions and government entities across Asia, USA, Europe and UK.

Henry is a Graduate of the National Taiwan University and holds a Bachelor of Business and Master of Business (International Finance). Henry currently serves as Executive Chairman of Formosa Group Australia, Executive Chairman of Formosa Resources and Executive Chairman of Arizona Global Transaction Management Services. He was previously the Managing Director of Manulife Insurance and General Manager of Halifax as well as a Director of the Australian Patients Association (APA).

Chairman: Appointed 6 April 2023

Executive Director: Appointed 6 April 2023

Member of the Audit and Risk Committee: Appointed 6 April 2023

Other current listed directorships: None

Previous directorships of listed companies (last 3 years): Nil

Interests in shares, options and performance rights at the date of this report: Nil

KEN RICHARDS (resigned 6 April 2023)

Chairman

Ken Richards has more than 30 years' experience as a Chief Executive and Managing Director across both public and private companies in the agriculture, finance and technology sectors.

Throughout his executive career Ken has developed a strong track record for growing and transitioning start-up companies from concept phase through to commercialisation. Along the way he has completed corporate transactions including capital raisings, takeovers and asset sales well in excess of \$200m.

Ken was previously the Managing Director of Leaf Resources Limited (ASX: LER). Ken is a fellow of the Australian Institute of Company Directors, is a former board member of Golf Australia and was previously Deputy Chairman of Surf Life Saving (WA). He holds a Bachelor of Commerce and Master of Business Administration (MBA) degrees from the University of WA.

Chairman: Appointed 22 December 2020, resigned 6 April 2023

Managing Director: Appointed 1 August 2011, resigned 1 July 2019

Executive Director: Appointed 31 August 2007, resigned 21 December 2020

Member of the Audit and Risk Committee: Appointed 28 January 2021, resigned 6 April 2023

Other current listed directorships: None

Previous directorships of listed companies (last 3 years): Nil

Interests in shares, options and performance rights at the date of this report: 80,927,942 ordinary shares, 26,025,000 unlisted options



RAMON MOUNTFORT

Managing Director

For the last 20 years Mr Mountfort has primarily been involved in the Pine Chemicals Industry, working to establish his vision of sustainable natural hydrocarbon based chemical production.

Mr Mountfort has extensive worldwide networks of customers, pine chemicals producers and technical stakeholders in pine chemicals industry. A leader and visionary that has learnt how to take people on the journey and can demonstrate the courage, resilience and perseverance to always find a way to get the job defined and completed. For the last three years, Mr Mountfort has been developing Essential Queensland.

Managing Director: Appointed 22 December 2020

Other current listed directorships: None

Previous directorships of listed companies (last 3 years): Nil

Interests in shares, options and performance rights at the date of this report: 590,700,000 ordinary shares

MAURIZIO (MAURICE) FABIANI (appointed 6 April 2023)

Executive Director

Dr Maurice Fabiani is a senior management and board executive with over 30 years' experience in international business as well as the biomedical field and related health areas. He has an extensive professional background, having held senior roles in business, academia, biomedical/biotechnology industry and the not-for-profit sector.

Dr Fabiani is a Graduate of the University of Melbourne and holds a PhD (Medicine/Pharmacology) as well as MBA (Finance and Strategy) from the Melbourne Business School. He is also a Graduate of the Australian Institute of Company Directors.

Dr Fabiani is currently the Chief Executive Officer of Formosa Group Australia. He was previously a Senior Research Fellow in the Department of Medicine, University of Melbourne, and head of an internationally recognised medical research group. He is also a published author of many international peer-reviewed scientific and medical research publications. Dr Fabiani has served as CEO and Managing Director of biotechnology companies as well as a Founding Director and Chairman of the Australian Patients Association (APA).

Executive Director: Appointed 6 April 2023

Member of the Audit and Risk Committee: Appointed 6 April 2023

Other current listed directorships: None

Previous directorships of listed companies (last 3 years): Nil

Interests in shares, options and performance rights at the date of this report: 42,000,000 ordinary shares, 42,000,000 unlisted options

GRANT YEATMAN (resigned 21 July 2022)

Executive Director

Mr Yeatman is a co-founder having been involved in EQ since starting in Australia, providing guidance on IP development, management and growth of the company. Grant brings extensive processing, management, marketing, supply chain & logistics as well as R & D experience from both this project and the US oil industry. Grant is still active in the management of investment funds and owns part of waste-water disposal companies in the USA.

He holds an Honours Degree in Strategic Management and Marketing alongside his experience as an import/export customs broker.

Mr Yeatman stepped down from the Board and continued with his role as Chief Operating Officer of the Company, leading the plant rebuild in New Zealand.

Executive Director: Appointed 22 December 2020, resigned 21 July 2022.

Other current listed directorships: None

Previous directorships of listed companies (last 3 years): Nil

Interests in shares, options and performance rights at the date of this report: 58,162,500 ordinary shares, 16,500,000 performance rights

TERENCE GRAY (resigned 31 December 2022)

Executive Director

Mr Gray is the principal of Tegis Pty Ltd offering investment management and corporate advisory services.

Mr Gray was a Non-Executive Director of Spirit Telecom Limited, an ASX listed telecommunications company from 2014 to 2020 and Chair of the Audit and Risk Committee during his tenor. Previous roles include Head of Equities at ANZ Funds Management, Chief Investment Officer at Allianz Equity Management, Head of Research at Allianz Dresdner Asset Management, Director of Corporate Finance at Grange Securities and Corporate Consultant nominated as a Responsible Manager for Lodge Partners stockbroking.

Executive Director: Appointed 1 January 2021, resigned 31 December 2022

Non-Executive Director: Appointed 22 December 2020, resigned 31 December 2022

Member of the Audit and Risk Committee: Appointed 28 January 2021, resigned 31 December 2022

Other current listed directorships: Nil

Previous directorships (last 3 years): Spirit Technology Solutions Ltd. (formerly Spirit Telecom Ltd) resigned July 2020

Interests in shares, options and performance rights at the date of this report: 23,505,357 ordinary shares

DOUGLAS RATHBONE (resigned 6 April 2023)

Non-Executive Director

Mr Rathbone has extensive experience in agriculture with broad knowledge across the whole sector from production to processing. He is a chemical engineer and commerce graduate and served as the Chief Executive Officer and Managing Director at Nufarm Limited from 1999 to 2015, and previously as Managing Director of Nufarm Australia Limited from 1982.

Doug joined the Board of the Company in 2016 and is currently the Chairman of Rathbone Wine Group, a Director of Cotton Seed Distributors, AgBiTech, Chia Seeds and Go Resources and a former member of Rabobank Advisory Board. He is a former Board member of the CSIRO. He has won a number of distinguished awards. These include a Centenary Medal in 2003, for outstanding service to science and technology, and the Rabobank Agribusiness Leader of the Year in 1999. He has also been listed several times in Engineers Australia top 100 most influential engineers and was awarded the Institute Engineers Australia 'Sheddon Pacific' medal for excellence in engineering. In 2016 Doug was named Queens Birthday honours and awarded a member of Australia.

Non-Executive Director: Appointed 1 November 2016, resigned 6 April 2023

Chairman: Appointed 1 April 2018, resigned 21 December 2020

Member of the Audit and Risk Committee: Appointed 1 November 2016, resigned 6 April 2023

Other current listed directorships: CANN Group Limited

Previous directorships (last 3 years): None

Interests in shares, options and performance rights at the date of this report: 18,582,942 ordinary shares

DREW SPEEDY (resigned 30 June 2023)

Company Secretary

Mr Speedy has held numerous finance roles within ASX listed companies over the past 19 years. Most recently he was CFO and Company Secretary of UIL Energy Ltd until its (Board Recommended) takeover by Strike Energy Ltd. Prior to that he was Financial Controller of Bow Energy Ltd until its sale to Arrow Energy and has held senior finance roles with other companies including Arrow Energy, Blue Energy and Queensland Gas Company during the company's market cap growth phase from \$20 million to ~\$2 billion.

Mr Speedy has extensive experience in company financial reporting, regulatory and governance areas, business acquisition and disposal due diligence and capital raisings.

Mr Speedy has a Bachelor of Business from the Queensland University of Technology. He is a member of the Certified Practising Accountants and the Governance Institute of Australia.

Company Secretary: Appointed 1 June 2020, resigned 30 June 2023

Interests in shares, options and performance rights at the date of this report: 3,772,950 ordinary shares

MARK LICCIARDO (appointed 1 July 2023)

Company Secretary

Mr Mark Licciardo has been appointed Company Secretary, effective from 1 July 2023.

Mr Licciardo is an ASX experienced Director and Chair of public and private companies with expertise in listed investment, infrastructure, bio-technology and online/digital sectors. A corporate governance professional and recognised leader in the sector. Extensive experience working with Boards of high profile ASX listed companies; guiding and implementing effective corporate governance practices. He has specialist expertise in the areas of corporate governance, finance and accounting and company secretarial practice. Executive roles in banking and finance, funds management, investment and infrastructure development.

Mr Licciardo is the Managing Director at Acclime Corporate Services Australia Pty Ltd, which provides company secretarial and corporate governance consulting services to listed, unlisted public, and private companies.

Company Secretary: Appointed 1 July 2023

Interests in shares, options and performance rights at the date of this report: Nil





Principal activities

During the year, the Group's principal activities included research and development of environmentally sustainable methods of extracting wood chemicals on an industrial level. The Group was working on rebuilding the factory at Apple Tree Creek, but on 29 November 2022 decided to move operations to New Zealand. The Group has since been planning for the factory to be built in Rotorua, New Zealand and raising capital.

Operational and financial results

During the 2023 financial year the Company was working towards a pathway forward. After the decision was made to move the factory to New Zealand, the Company has been focusing on planning, applying for earthworks consents for the factory to be built, and establishing supply and offtake agreements. The Company has started building relationships with key stakeholders in New Zealand government and other leaders in the New Zealand forestry industry.

The Company completed capital raising in both July 2022 and April 2023, followed with a restructure of the Board in April 2023.

The Group's operating loss for the year ended 30 June 2023 amounted to \$8,206,788 (30 June 2022: \$6,032,263 loss).

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year included the following:

- Capital raising of \$4.7 million during July 2022;
- Convertible notes of \$1.5 million which was raised in May 2022 successfully converted in July 2022;
- Capital raising of \$3 million during April 2023 and subsequent Board restructure;
- The Board approved moving operations from Queensland to New Zealand;
- The Company established a trading company in New Zealand and entered into a lease agreement for corporate offices in Papamoa, New Zealand.

Events arising since the end of the reporting period

Since 30 June 2023, the following matters have arisen which may significantly affect the operations of the Group:

- The Company filed a new technology patent with IP Australia to protect its integrated process for organic solvents extraction with wood pellets and torrefied wood pellets production, as announced on 28 July 2023. The integration synergies enable lower production and capital costs. The Group will be using the technology in the soon to be developed Rotorua factory.
- On 7 August 2023, shareholders approved the name change of the Group's parent company from Leaf Resources Limited to Foresta Group Holdings Limited. The name change is the start of a new chapter for the Group as it looks to position itself as a global leader in manufacturing.
- On 11 August 2023, the Company announced that it signed a term sheet with Tailored Energy Resources Limited in relation to an offtake agreement to supply up to 400,000 tonnes per annum of torrefied wood pellets. The initial term is for eight years, commencing at the commissioning of the Rotorua factory.
- The Group continued its progress on the Rotorua factory by signing a letter of intent with Lawter (NZ) Limited for the offtake of 8,000 tonnes of rosin per annum and 500 tonnes of turpentine per annum. The initial term is for a five (5) year period, with the option to renew for a further five (5) years.
- The Group has commenced and will finalise an off-market share placement on 12 October 2023, to a sum of \$2,332,508. A total of 179,423,692 shares will be issued at a price of \$0.013 per share, had carries one free attaching option for every share issued. The options have a face value of \$0.02 and will expire after two (2) years.

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 2023.





Environmental issues

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

Directors' meetings

The number of meetings of the Company's Board of Directors and Audit and Risk Committee members held during the year ended 30 June 2023 and the number of meetings attended by each Director / member were:

| DIRECTOR'S NAME | BOARD MEETINGS | | AUDIT & RISK COMMITTEE | |
|-----------------|----------------|---|------------------------|-----|
| | A | B | A | B |
| KEN RICHARDS | 7 | 7 | 2 | 2 |
| DOUG RATHBONE | 7 | 6 | 2 | 1 |
| RAMON MOUNTFORT | 8 | 8 | N/A | N/A |
| GRANT YEATMAN | - | - | N/A | N/A |
| TERENCE GRAY | 4 | 4 | 1 | 1 |
| HENRY CHENG | 1 | 1 | - | - |
| MAURICE FABIANI | 1 | 1 | - | - |

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

Column B is the number of meetings the Director attended.

Remuneration Report (audited)

The Directors of Foresta Group Holdings 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 has been prepared for the period 1 July 2022 to 30 June 2023.

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; and
- short term incentives being performance-based bonuses.

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 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 includes the development of the Rotorua project to a stage where it is investment ready, and successfully obtain project funding for the first six (6) months of development.

The Company has non-market-based performance conditions linked to the executive's medium to long term incentives. Medium to long term incentives are paid through the Foresta Performance Rights Plan, the Employee Share Option Plan or other incentive schemes approved by the Board.

Non-executive director remuneration

On appointment to the board, all non-executive directors enter into an agreement with the Company. This summarises the board policies and terms. 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 2023 Annual General Meeting

The Company received 91.45% of "yes" votes on its remuneration report for the 2023 financial year. The Company did not receive any specific feedback at the annual general meeting on its remuneration report.

Earnings per share

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|-------------------------|-------------|-------------------|-------------|-----------|-------------|
| EPS (cents) | (0.44) | (0.38) | (0.72) | (0.29) | (2.34) |
| Dividends (cents/share) | - | - | - | - | - |
| Net profit/(loss) (\$) | (8,206,788) | (6,032,263) | (9,074,136) | (949,976) | (6,778,388) |
| Share price (\$) | 0.01 | 0.08 ^A | 0.11 | 0.02 | 0.03 |

A. At 30 June 2022, the Company was under trading suspension. The \$0.08 per share represents the share price when the Company trading suspension commenced.

(b) Details of the remuneration of key management personnel and directors of the Group are set out in the following table

The key management personnel of the Group consisted of the following directors of Foresta Group Holdings Limited:

- Ramon Mountfort - Executive Director
- Doug Rathbone - Non-Executive Director
- Ken Richards - Non-Executive Director
- Terence Gray - Executive Director
- Henry Cheng - Executive Director
- Maurice Fabiani - Executive Director

And the following persons:

- Drew Speedy - Company Secretary and Chief Financial Officer
- Grant Yeatman - Chief Operations Officer
- Erich Van Zyl - Chief Financial Officer

There were no changes since the end of the reporting period.

| Key Management Personnel | Year | Short-term employee benefits | | Post-employment benefits | Long-term | Termination benefits | Share based payment | | | | Performance based percentage of remuneration |
|---------------------------------------|------|------------------------------|------------|--------------------------|--------------------|----------------------|---------------------|---------|--------------------|-----------|----------------------------------------------|
| | | Cash salary and fees | Cash bonus | Super-annuation | Long service leave | Termination payments | Shares | Options | Performance rights | Total | |
| Executive Directors | | | | | | | | | | | |
| Ramon Mountfort | 2023 | 309,241 | - | 19,990 | - | - | - | - | - | 329,232 | 0% |
| | 2022 | 301,154 | - | 30,133 | - | - | - | - | - | 331,286 | 0% |
| Grant Yeatman ^A | 2023 | 11,538 | - | 1,212 | - | - | - | - | 3,072 | 15,822 | 19% |
| | 2022 | 200,769 | - | 20,089 | - | - | - | - | 53,391 | 274,249 | 19% |
| Terry Gray ^B | 2023 | 90,000 | - | 3,150 | - | - | - | - | 26,915 | 120,065 | 22% |
| | 2022 | 180,000 | - | 6,000 | - | - | - | - | 53,391 | 239,391 | 22% |
| Henry Cheng ^C | 2023 | 78,150 | - | - | - | - | - | - | - | 78,150 | 0% |
| | 2022 | - | - | - | - | - | - | - | - | - | 0% |
| Maurice Fabiani ^D | 2023 | 78,150 | - | - | - | - | - | - | - | 78,150 | 0% |
| | 2022 | - | - | - | - | - | - | - | - | - | 0% |
| Non-Executive Directors | | | | | | | | | | | |
| Doug Rathbone ^E | 2023 | 80,448 | - | 8,447 | - | - | - | - | - | 88,895 | 0% |
| | 2022 | 60,000 | - | 6,000 | - | - | - | - | - | 66,000 | 0% |
| Ken Richards ^F | 2023 | 92,000 | - | 9,660 | - | - | - | - | - | 101,660 | 0% |
| | 2022 | 120,000 | - | 12,000 | - | - | - | 700 | - | 132,700 | 1% |
| Other Key Management Personnel | | | | | | | | | | | |
| Drew Speedy ^G | 2023 | 87,000 | - | - | - | - | - | - | 584 | 87,584 | 1% |
| | 2022 | 132,000 | - | - | - | - | - | - | 159,416 | 291,416 | 55% |
| Grant Yeatman ^A | 2023 | 184,615 | - | 20,193 | - | - | - | - | 50,319 | 255,127 | 20% |
| | 2022 | - | - | - | - | - | - | - | - | - | 0% |
| Erich van Zyl ^H | 2023 | 149,519 | - | 15,296 | - | - | - | - | - | 164,815 | 0% |
| | 2022 | - | - | - | - | - | - | - | - | - | 0% |
| 2023 Total | | 1,160,662 | - | 77,947 | - | - | - | - | 80,890 | 1,319,499 | 6% |
| 2022 Total | | 993,923 | - | 74,221 | - | - | - | 700 | 266,198 | 1,335,042 | 20% |

- A. Mr Grant Yeatman has resigned as Executive Director effective 21 July 2022, but remained with the Company as its Chief Operations Officer.
- B. Mr Terence Gray has resigned from all associated roles effective 31 December 2022.
- C. Mr Henry Cheng was appointed as Executive Director on 6 April 2023 following the successful placement of securities on 5 April 2023.
- D. Mr Maurice Fabiani was appointed as Executive Director on 6 April 2023 following the successful placement of securities on 5 April 2023.
- E. Mr Doug Rathbone has resigned from all associated roles effective 6 April 2023.
- F. Mr Ken Richards has resigned from Chairman and all other associated roles effective 6 April 2023.
- G. Mr Drew Speedy resigned as Chief Financial Officer on 1 October 2022, and subsequently resigned as Company Secretary on 1 July 2023.
- H. Mr Erich Van Zyl was appointed as Chief Financial Officer on 1 October 2022.

For each cash bonus included in the remuneration table, the percentage of the available bonus or grant that was paid, or that vested in the financial year, and the percentage that was forfeited because the service and performance criteria was not met is set out below. Short term incentive bonuses are paid in cash. No short-term incentive bonuses in respect of the 2023 financial year have been approved by the Board.

| Name | Cash bonus paid/payable | | Cash bonus forfeited | |
|-----------------|-------------------------|------|----------------------|------|
| | 2023 | 2022 | 2023 | 2022 |
| Ramon Mountfort | 0% | 0% | 100% | 100% |

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

| | 30 June 2023 | | 30 June 2022 | |
|---------------------------------------|--------------------|-------------------------------------|--------------------|-------------------------------------|
| | Fixed remuneration | At risk Short-Term Incentives (STI) | Fixed remuneration | At risk Short-Term Incentives (STI) |
| Executive Directors | | | | |
| Ramon Mountfort | 50% | 50% | 50% | 50% |
| Grant Yeatman | 100% | - | 100% | - |
| Terence Gray | 100% | - | 100% | - |
| Henry Cheng | 100% | - | N/A | - |
| Maurice Fabiani | 100% | - | N/A | - |
| Non-Executive Directors | | | | |
| Ken Richards | 100% | - | 100% | - |
| Doug Rathbone | 100% | - | 100% | - |
| Other Key Management Personnel | | | | |
| Drew Speedy | 100% | - | 100% | - |
| Erich Van Zyl | 100% | - | N/A | - |

(c) Service agreements

Remuneration and other terms of employment for the Executive Directors 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** |
|-------------|---------------------------------------|-------------------|---------------|------------------------|
| R Mountfort | 331,500 | No fixed term | Six months | Twelve months |
| H Cheng | 378,900 | No fixed term | 30 days | 30 days |
| M Fabiani | 378,900 | No fixed term | 30 days | 30 days |
| M Licciardo | 58,800 | No fixed term | 90 days | 90 days |
| G Yeatman | 221,000 | No fixed term | Six months | Twelve months |
| D Speedy | 87,000 | No fixed term | 90 days | 90 days |
| E van Zyl | 221,000 | No fixed term | 30 days | 30 days |

*Base salaries quoted are for the year ended 30 June 2023, 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 options and right affecting remuneration in the current or a future reporting period are as follows:

| Grant date | Vesting date | Expiry date | Exercise price | Value ^B | % Vested |
|-------------------------|--------------|-------------|----------------|--------------------|----------|
| Options | | | | | |
| 14-Sep-2018 | 14-Sep-2019 | 14-Sep-2023 | \$0.177 | \$0.02375 | 100% |
| 14-Sep-2018 | 14-Sep-2020 | 14-Sep-2023 | \$0.177 | \$0.02375 | 100% |
| 14-Sep-2018 | 14-Sep-2021 | 14-Sep-2023 | \$0.177 | \$0.02375 | 100% |
| 20-Dec-2018 | 1-Feb-2020 | 1-Feb-2024 | \$0.177 | \$0.00593 | 100% |
| 20-Dec-2018 | 1-Feb-2020 | 1-Apr-2024 | \$0.294 | \$0.0234 | 100% |
| 20-Dec-2018 | 1-Feb-2021 | 1-Feb-2024 | \$0.177 | \$0.00593 | 100% |
| 20-Dec-2018 | 1-Feb-2021 | 1-Apr-2024 | \$0.294 | \$0.0234 | 100% |
| 20-Dec-2018 | 1-Feb-2022 | 1-Feb-2024 | \$0.177 | \$0.00593 | 100% |
| 20-Dec-2018 | 1-Feb-2022 | 1-Apr-2024 | \$0.294 | \$0.0234 | 100% |
| 17-Feb-2020 | 17-Feb-2020 | 1-Mar-2025 | \$0.023 | \$0.0108 | 100% |
| 7-Sep-2022 ^A | 7-Sep-2022 | 31-Aug-2023 | \$0.045 | \$0.00516 | 100% |
| Rights | | | | | |
| 1-Jul-2020 | 3-Aug-2023 | 3-Aug-2023 | \$nil | \$0.02 | 0% |

- A. Options were granted on Convertible Notes that converted in July 2022.
 B. Value per option or performance right at grant date.

All options and rights are over ordinary shares in the Company, which are exercisable on a one-for-one basis under the terms of the agreements. Free attaching options were granted as part of a capital raise.

Upon vesting, each option allows the holder to purchase one ordinary share at the exercise price for the respective option with the exercise period expiring five 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.

Options and performance rights held by KMP and Directors at 30 June 2023:

| Name | Number Granted | Grant Date | Value ^A | Number Vested | Year May Vest |
|-----------|--------------------|--------------------------|--------------------|--------------------|---------------|
| G Yeatman | 16,500,000 rights | 22 Dec 2020 ^B | \$165,000 | Nil | 3 Aug 2023 |
| M Fabiani | 42,000,000 options | 5 Apr 2023 ^C | - | 42,000,000 options | 5 Apr 2023 |

- A. 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 2023 is included in the key management personal remuneration table. Fair values of options at grant date are determined using The Hull-White or Black Scholes option pricing model that takes into account various input assumptions. Fair values of performance rights with non-market based performance conditions are valued based on the spot price at grant date and an assessment of the probability of non-market based vesting conditions being met are considered by the Board at each reporting date.
 B. Performance Rights issued to Directors by shareholders at an extraordinary general meeting on 27 November 2020.
 C. Free attaching options under capital raising arrangement by granted by shareholders at extraordinary general meeting on 13 June 2023.

(e) Details of movements in options and performance rights held by KMP and Directors

| Movement during the period | | | | | |
|----------------------------|---------------------|------------|---------------------|----------------|---------------------|
| | Balance 01-07-22 | Granted | Number Exercised | Number Expired | Balance 30-06-23 |
| Year ended 30 June 2023 | | | | | |
| Options | | | | | |
| K Richards | 26,025,000 | - | - | - | 26,025,000 |
| M Fabiani | - | 42,000,000 | - | - | 42,000,000 |
| Sub-Total | 26,025,000 | 42,000,000 | - | - | 68,025,000 |
| Performance Rights | | | | | |
| G Yeatman | 16,500,000 | - | - | - | 16,500,000 |
| T Gray | 16,500,000 | - | - | (16,500,000) | - |
| D Speedy | 2,000,000 | - | (2,000,000) | - | - |
| Sub-Total | 35,000,000 | - | (2,000,000) | - | 16,500,000 |
| Total | 61,025,000 | 42,000,000 | (2,000,000) | (16,500,000) | 84,525,000 |

| Number held at balance date | | | | | |
|-----------------------------|---------------------|--------------------------|-------------------------------|----------------------------------|-------------------------------------|
| | Balance 30-06-23 | Total vested 30-06-23 | Total Exercisable 30-06-23 | Net change other or forfeited | Total Un-Exercisable 30-06-23 |
| Year ended 30 June 2023 | | | | | |
| Options | | | | | |
| K Richards | 26,025,000 | 26,025,000 | 26,025,000 | - | - |
| M Fabiani | 42,000,000 | 42,000,000 | 42,000,000 | - | - |
| Sub-Total | 68,025,000 | 68,025,000 | 68,025,000 | - | - |
| Performance Rights | | | | | |
| G Yeatman | 16,500,000 | - | - | - | - |
| Sub-Total | 16,500,000 | - | - | - | - |
| Total | 84,525,000 | 68,025,000 | 68,025,000 | - | - |

Shares held by Key Management Personnel

The number of ordinary shares in the Company during the 2023 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out below:

| | Balance 30-06-22 | Exercise of Rights | Share Placement | Other Changes | Held at 30-06-23 |
|-------------|---------------------|-----------------------|-----------------|---------------|------------------|
| K Richards | 80,927,942 | - | - | - | 80,927,942 |
| H Cheng | - | - | - | - | - |
| R Mountfort | 590,700,000 | - | - | - | 590,700,000 |
| M Fabiani | - | - | 42,000,000 | - | 42,000,000 |
| G Yeatman | 58,162,500 | - | - | - | 58,162,500 |
| T Gray | 23,505,357 | - | - | - | 23,505,357 |
| D Rathbone | 16,582,942 | - | - | 2,000,000 | 18,582,942 |
| D Speedy | 1,772,950 | 2,000,000 | - | - | 3,772,950 |
| E van Zyl | - | - | - | 66,300 | 66,300 |
| Total | 771,651,691 | 2,000,000 | 42,000,000 | 2,066,300 | 817,717,991 |

End of audited remuneration report.

Options and Rights

At the date of this report, the options and rights over shares of the Company are as follows.

| Grant Date | Expiry Date | Exercise Price | Total |
|---------------------------|-------------------|----------------|-------------|
| Share options | | | |
| 14 September 2018 | 14 September 2023 | \$0.177 | 1,275,000 |
| 20 December 2018 | 1 February 2024 | \$0.177 | 1,275,000 |
| 20 December 2018 | 1 April 2024 | \$0.294 | 850,002 |
| 17 February 2020 | 1 March 2025 | \$0.023 | 24,750,000 |
| 29 April 2021 | 29 April 2024 | \$0.13 | 100,000 |
| 5 May 2022 | 30 June 2025 | \$0.04 | 10,000,000 |
| 7 September 2022 | 31 August 2023 | \$0.045 | 112,962,985 |
| 5 April 2023 | 31 December 2025 | \$0.045 | 42,000,000 |
| 15 June 2023 | 31 December 2025 | \$0.045 | 210,000,000 |
| Total Share Options | | | 403,212,987 |
| Performance Rights | | | |
| 27 November 2020 | 3 August 2023 | \$Nil | 16,500,000 |
| Total Performance Rights | | | 16,500,000 |
| Total | | | 419,712,987 |

Indemnification of officers

During the financial year, Foresta agreed to indemnify each director and secretary of the Company and of its subsidiaries against any liability:

- a) to a party other than Foresta 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, Foresta 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.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor. During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.





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:

| | 2023 | 2022 |
|-----------------------------------------------------------|---------|--------|
| | \$ | \$ |
| Audit and review of financial statements - Grant Thornton | 95,825 | 80,500 |
| Taxation compliance services – Grant Thornton | 13,900 | 11,897 |
| Total auditor’s remuneration | 109,725 | 92,397 |

A copy of the Auditor’s Independence Declaration as required under s307C of the *Corporations Act 2001* is set out immediately after this Directors’ Report.

Proceedings on behalf of the Company

No person has applied to the Court under s237 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

The Company is of a kind referred to in ASIC Corporations instrument 2016/191. Amounts in the Directors’ report have been rounded to the nearest dollar.

Directors’ authorisation

Signed in accordance with a resolution of the Directors.

Henry Cheng



Chairman

Melbourne, Victoria, Australia

6 October 2023

Ramon Mountfort



Managing Director

Melbourne, Victoria, Australia

6 October 2023

Grant Thornton Audit Pty Ltd

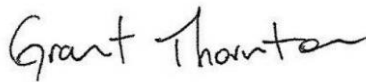
King George Central
Level 18
145 Ann Street
Brisbane QLD 4000
GPO Box 1008
Brisbane QLD 4001
T +61 7 3222 0200

Auditor's Independence Declaration

To the Directors of Foresta Group Holdings Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Foresta Group Holdings Limited for the year ended 30 June 2023, 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 Audit Pty Ltd
Chartered Accountants



M C Bragg
Partner – Audit & Assurance
Brisbane, 6 October 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

| | Note | 2023 \$ | 2022 \$ |
|------------------------------------------------------|------|-------------|-------------|
| Revenue | | | |
| Revenue from contracts with customers | 6 | 15,792 | 181,121 |
| Insurance recoveries | | 403,136 | 1,400,000 |
| Government grants | | - | 20,000 |
| R & D tax incentive | | - | 2,015,825 |
| Other income | 8 | 39,340 | 1,515 |
| Expenses | | | |
| Plant operating expenses | | (603,736) | (1,720,531) |
| Depreciation and amortisation | 9 | (616,646) | (701,181) |
| Employee and consultant expenses | 9 | (3,357,597) | (3,550,495) |
| Other expenses | | (1,057,615) | (944,859) |
| Finance expense | 9 | (499,853) | (759,594) |
| Share based payments | | (112,339) | (268,633) |
| Loss on write-off of fixed assets | 9 | (2,196,693) | (1,621,929) |
| Impairment of assets | 9 | (105,666) | - |
| Foreign currency gain / (loss) | | (114,911) | (83,502) |
| Loss before income tax | | (8,206,788) | (6,032,263) |
| Income tax expense | 10 | - | - |
| Loss for the year after income tax expense | | (8,206,788) | (6,032,263) |
| Other comprehensive income for the year | | - | - |
| Total comprehensive loss for the year | | (8,206,788) | (6,032,263) |
| Earnings per share from continuing operations | | | |
| Basic loss per share | 7 | (0.44) | (0.38) |
| Diluted loss per share | 7 | (0.44) | (0.38) |

Note: This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

| | Note | 2023 \$ | 2022 \$ |
|-----------------------------------------------------------------------|------|-------------------|-------------------|
| Current Assets | | | |
| Cash and cash equivalents | 11 | 1,439,582 | 745,320 |
| Trade and other receivables | 12 | 532,140 | 2,202,321 |
| Inventories | 14 | 34,203 | 77,354 |
| Other current assets | 15 | 211,286 | 117,734 |
| Non-current assets held for sale | 13 | 1,250,173 | - |
| Total Current Assets | | 3,367,384 | 3,142,729 |
| Non-Current Assets | | | |
| Property, plant and equipment | 16 | 7,420,154 | 9,467,301 |
| Other non-current assets | 17 | 37,970 | 132,035 |
| Total Non-Current Assets | | 7,558,124 | 9,599,336 |
| Total Assets | | 10,925,508 | 12,742,065 |
| Current Liabilities | | | |
| Trade and other payables | 18 | 360,862 | 1,062,577 |
| Borrowings | 19 | 44,627 | 2,165,808 |
| Derivative liability | 20 | - | 167,777 |
| Lease liability | 21 | 109,464 | 186,970 |
| Provisions | 22 | 150,036 | 169,515 |
| Liabilities directly associated with non-current assets held for sale | 13 | 778,676 | - |
| Total Current Liabilities | | 1,443,665 | 3,752,646 |
| Non-Current Liabilities | | | |
| Borrowings | 23 | - | 655,083 |
| Lease liability | 24 | 1,447,020 | 1,626,724 |
| Provisions | 25 | 36,816 | 18,898 |
| Total Non-Current Liabilities | | 1,483,836 | 2,300,705 |
| Total Liabilities | | 2,927,501 | 6,053,351 |
| Net Assets | | 7,998,007 | 6,688,714 |
| Equity | | | |
| Issued capital | 26 | 32,406,009 | 23,146,672 |
| Reserves | 27 | 1,185,296 | 928,552 |
| Accumulated losses | 28 | (25,593,298) | (17,386,510) |
| Total Equity | | 7,998,007 | 6,688,714 |

Note: This statement should be read in conjunction with the notes to the financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

| | Issued Capital \$ | Accumulated Losses \$ | Share Based Payment Reserve \$ | Total Equity \$ |
|-------------------------------------------------------------|----------------------|-----------------------------|-----------------------------------------|--------------------|
| Balance at 1 July 2021 | 15,335,496 | (11,354,247) | 536,119 | 4,517,368 |
| Loss after income tax expense for the year | - | (6,032,263) | - | (6,032,263) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive loss for the year | - | (6,032,263) | - | (6,032,263) |
| Transactions with owners in their capacity as owners | | | | |
| Shares issued (note 26) | 8,000,000 | - | - | 8,000,000 |
| Share issue transactions costs (note 26) | (480,000) | - | - | (480,000) |
| Shares issued - exercise of options (note 26) | 291,176 | - | - | 291,176 |
| Share-based payments (note 33) | - | - | 392,433 | 392,433 |
| Balance as at 30 June 2022 | 23,146,672 | (17,386,510) | 928,552 | 6,688,714 |
| Balance at 1 July 2022 | | | | |
| Balance at 1 July 2022 | 23,146,672 | (17,386,510) | 928,552 | 6,688,714 |
| Loss after income tax expense for the year | - | (8,206,788) | - | (8,206,788) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive loss for the year | - | (8,206,788) | - | (8,206,788) |
| Transactions with owners in their capacity as owners | | | | |
| Shares issued (note 26) | 8,124,000 | - | - | 8,124,000 |
| Share issue transactions costs (note 26) | (542,440) | - | - | (542,440) |
| Shares issued - convertible notes (note 26) | 1,677,777 | - | - | 1,677,777 |
| Share-based payments - options & rights (note 33) | - | - | 256,744 | 256,744 |
| Total transactions with owners | 9,259,337 | - | 256,744 | 9,516,082 |
| Balance as at 30 June 2023 | 32,406,009 | (25,593,298) | 1,185,296 | 7,998,007 |

Note: This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

| | Note | 2023 \$ | 2022 \$ |
|----------------------------------------------------------|-------|-------------|-------------|
| Net cash flows from operating activities | | | |
| Receipts from customers | | 70,361 | 173,562 |
| Insurance recoveries | | 3,136 | 240,000 |
| Government grants | | - | 20,000 |
| Payments to suppliers & employees | | (5,180,416) | (6,928,077) |
| Interest received | | 4,991 | 419 |
| Interest paid | | (264,032) | (457,490) |
| R&D tax incentive refund | | 1,904,849 | 2,771,632 |
| Net cash used in operating activities | 36(b) | (3,461,111) | (4,179,954) |
| Cash flows from investing activities | | | |
| Payment for property, plant and equipment | | (2,525,303) | (3,986,474) |
| Receipts on sale of property, plant and equipment | | 148,182 | - |
| Proceeds from insurance recoveries | | - | 1,160,000 |
| Net cash used in investing activities | | (2,377,121) | (2,826,474) |
| Cash flows from financing activities | | | |
| Proceeds from issue of share capital | | 8,124,000 | 8,291,176 |
| Share issue transaction costs | | (542,440) | (480,000) |
| Proceeds from borrowings | | 198,079 | 2,320,782 |
| Repayment of borrowings | | (888,783) | (2,912,958) |
| Payment of principal portion of lease costs | | (296,784) | (188,194) |
| Net cash provided by (used in) financing activities | | 6,594,072 | 7,030,806 |
| Net increase in cash and cash equivalents | | 755,840 | 55,288 |
| Foreign exchange losses | | (61,578) | (52,568) |
| Cash and cash equivalents at the beginning of the period | | 745,320 | 742,600 |
| Cash and cash equivalents at the end of the period | 36(a) | 1,439,582 | 745,320 |

Note: This statement should be read in conjunction with the notes to the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

1. Nature of operations

Foresta Group Holdings Limited and Subsidiaries' (the Group) principal activity is the commercialisation of the natural pine chemical extraction process.

2. General information and statement of compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Foresta Group Holdings Limited is a for-profit entity for the purpose of preparing the financial statements.

Foresta Group Holdings Limited is the Group's Ultimate Parent Company. Foresta Group Holdings Limited is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is 10/12 Kelly Court, Landsborough QLD 4550. Shareholders approved the Company's name change to Foresta Group Holdings Limited on 7 August 2023.

The consolidated financial statements for the year ended 30 June 2023 were approved and authorised for issue by the Board of Directors on 6 October 2023.

3. Going Concern

The financial statements have been prepared on a going concern basis, reflecting the expectation that the Group will continue its normal business operations and successfully realise its assets while discharging its liabilities in the ordinary course of business.

In the period ending 30 June 2023, the Group incurred a loss before income tax of \$8,206,788 (2022: \$6,032,263) and negative cash flows from operating activities were recorded at \$3,461,111 (2022: \$4,179,954). Notably, the Group made a strategic decision to decommission the Apple Tree Creek site and to relocate its operations to New Zealand where the Group is poised to build a factory in Rotorua. Considering these developments, particularly in conjunction with the challenges faced in revenue generation, it is apparent that a material uncertainty exists, raising doubts about the Group's ability to continue as a going concern.

Nevertheless, the Group remains steadfast in its commitment to execute its strategic vision, primarily the establishment of the Rotorua factory, and is optimistic about its prospective accomplishments within the next 12 months and beyond. To address immediate obligations, the Group is currently finalising the off-market share placement announced on 29 September 2023. This placement is due to be finalised on 12 October 2023, with the Group having received a total committed sum of \$2,332,508 (with \$1.2m of these funds already being received), an initiative anticipated to fund ongoing operational activities for the forthcoming year. Additionally, the Group is in the process of divesting assets linked to the Apple Tree Creek site, a measure that will alleviate much of the associated debt and infuse essential liquidity.

Funding for the Rotorua factory construction is also a high-priority pursuit for the Group. The Company has presented its comprehensive business plan to the New Zealand government and is working on securing government funding earmarked for enterprises contributing to emissions reduction within the country. Moreover, exploratory discussions with financial institutions and investors are underway to secure a combination of equity and debt funding.

Furthermore, the Group anticipates insurance recoveries that will facilitate the reinstatement of the factory, with a receivable amount of \$400,000 recognised as of 30 June 2023. Collaborating with experts in claims preparation,



the Company is actively pursuing additional claims recoveries, with the results of this assessment expected to be shared with investors during the fourth quarter of 2023 (refer to Note 34).

Based on the financial injection scheduled for October 2023 and the range of other strategies and discussions with project funding providers, the Group remains confident that it will be able to fulfill its obligations. Management has determined that the going concern basis of accounting remains appropriate for the 2023 financial year's annual reports. However, it's acknowledged that while the probability of raising future capital is high, there remains an inherent degree of uncertainty concerning the Group's ability to secure adequate capital or insurance recoveries, which could cast doubt over its ability to fulfill its commitments. Consequently, a material uncertainty is recognised regarding the Group's ability to sustain itself as a going concern. No adjustments have been made in the 2023 annual report relating to the recoverability and classification of recorded asset amounts and classification of liabilities, which may become necessary should the Group's ability to continue as a going concern be compromised.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 37.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Foresta Group Holdings Limited ('Company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Foresta Group Holdings Limited and its subsidiaries together are referred to in these financial statements as the Group.



Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

The Group has one operating segment: commercialisation of technology & development. The operating segment undertakes research, development and commercialisation of specific technologies (R&D). 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.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Foresta Group Holdings Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Sale of goods

Revenue from the sale of woodchip and pine chemicals are recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Insurance recoveries

Insurance recoveries from third parties for items of property, plant and equipment that were impaired, lost or given up are recognised in profit or loss when the compensation becomes receivable.

Research and development tax incentive

The Group incurs expenditure on research and development and is eligible to receive a 43.5% (2022: 43.5%) refund under the Research and Development Tax Incentive Scheme. Research and development tax incentives are recognised profit or loss over the period necessary to match them with the costs they are intended to compensate. Research and development tax incentives are recognised as income once the Group is satisfied that the Group has complied with the conditions attached to the tax incentives and that the tax incentives will be received.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Foresta Group Holdings Limited (the 'head entity') and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

- An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.
- A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Inventories consist of raw materials which are stated at the lower of cost and net realisable value on an average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.



Financial instruments

Financial assets

Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group’s assessment at the end of each reporting period as to whether the financial instrument’s credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Where the derivative is not designated as a hedging instrument, the resulting gains or losses are recognised in profit or loss.

Property, plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

| | |
|------------------------|-----------------|
| Plant and equipment | 3-15 years |
| Leasehold improvements | 9-10 years |
| Motor vehicles | 5-8 years |
| Right of use assets | Over lease term |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.



Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Convertible notes that exhibit characteristics of a liability are recognised as a liability in the statement of financial position, net of transaction costs. Convertible notes accounted for as financial liabilities are measured at amortised cost until extinguished on conversion or redemption. Derivatives on convertible notes are accounted for separately in accordance with the Group's accounting policy for derivative financial instruments.

The increase in the liability due to the passage of time is recognised as a finance cost. The corresponding interest on convertible notes is expensed to profit or loss.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Free attaching options attached to the issue of new shares have been measured at \$nil.

Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated to the assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Pinnacle Listed Practical Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollars.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

5. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting

estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 33 for further information.

Research and development tax incentive

The research and development tax incentive requires submission of the research and development tax incentive schedule with the yearend tax return before it can be received. The receivable for the research and development tax incentive is recognised to the extent that the Group can reliably estimate the research and development expenditure for the year will be within the eligibility requirements.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal, which incorporate several key estimates and assumptions, including the engagement of an external valuation expert for the valuation of property, plant and equipment. The valuation has been undertaken (FVLCTS) using a market approach, i.e. looking at sales of comparable assets. The use of adjusted observable inputs falls under level 2 of the fair value measurement hierarchy (refer below).

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs. Refer to note 17 for further information.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant

penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

6. Revenue from contracts with customers

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

| Consolidated | Woodchip | Terpenes | Total |
|--------------------------------------|----------------|---------------|----------------|
| | \$ | \$ | \$ |
| 30 Jun 2022 | | | |
| Timing of revenue recognition | | | |
| Goods transferred at a point in time | 163,143 | 17,978 | 181,121 |
| Total Revenue | 163,143 | 17,978 | 181,121 |
| 30 Jun 2023 | | | |
| Timing of revenue recognition | | | |
| Goods transferred at a point in time | 15,792 | - | 15,792 |
| Total Revenue | 15,792 | - | 15,792 |

7. Earnings per share

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the parent company as the numerator.

| Reconciliation of earnings used in calculating earnings per share | 2023 | 2022 |
|---------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| | \$ | \$ |
| Loss attributable to the owners of Foresta Group Holdings Limited used in the calculation of basic and dilutive EPS | (8,206,788) | (6,032,263) |
| Loss attributable to the owners of Foresta Group Holdings Limited | (8,206,788) | (6,032,263) |
| Weighted average number of ordinary shares | Number | Number |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 1,855,062,114 | 1,573,774,514 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per shares | 1,855,062,114 | 1,573,774,514 |
| Loss per share and Diluted loss per share (cents) | 0.44 | 0.38 |

Calculation of dilutive EPS

As at 30 June 2023 there were:

- 193,212,987 unlisted options on issue which have vested; and
- 16,500,000 unlisted performance rights on issue which have not yet vested.

The 193,212,987 unlisted options that have vested were excluded from the calculation of diluted earnings per share due to the Group being in a loss position.

As at 30 June 2022, there were 39,879,170 unlisted options on issue which had vested and were excluded from the calculation of diluted earnings per share due to the Group being in a loss position. There were also 35,000,000 unlisted performance rights on issue which have not yet vested.

8. Other Income

| Consolidated | 2023 \$ | 2022 \$ |
|----------------------------|---------------|--------------|
| Interest income | 4,991 | 419 |
| Other revenue | 23,338 | 1,096 |
| Gain on disposal of assets | 11,011 | - |
| Total | 39,340 | 1,515 |

9. Expenses

Loss before income tax from continuing operations includes the following specific expenses:

| Consolidated | Note | 2023 \$ | 2022 \$ |
|-----------------------------------------------|-----------|------------------|------------------|
| Depreciation expense | | | |
| Depreciation of property, plant and equipment | | 501,807 | 593,523 |
| Depreciation of right of use assets | | 114,840 | 107,658 |
| Total | 16 | 616,647 | 701,181 |
| Employee and consultant expenses | | | |
| Salaries and wages | | 2,150,739 | 2,688,002 |
| Superannuation | | 179,097 | 264,532 |
| Payroll tax | | 36,526 | 109,591 |
| Staff training | | 1,362 | 15,900 |
| Recruitment costs | | 37,930 | 3,504 |
| Other employee cost | | 55,986 | - |
| Consultant fees | | 895,957 | 468,964 |
| Total | | 3,357,597 | 3,550,495 |
| Finance expenses | | | |
| Finance costs on borrowings | | 211,311 | 459,553 |
| Interest on leases | | 141,571 | 110,908 |
| Finance costs on convertible notes | | 20,234 | 188,196 |
| Other finance expenses | | 126,737 | 937 |
| Total | | 499,853 | 759,594 |
| Impairment of assets | | | |
| Impairment of fixed assets | | (94,005) | - |
| Impairment of right-of-use assets | | (11,661) | - |
| Total | 16 | 105,666 | - |

10. 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:

| | 2023 \$ | 2022 \$ |
|-----------------------------------------------------------------------|-------------|-------------|
| Loss before income tax | (8,206,788) | (6,032,264) |
| Income tax at 25% | (2,051,697) | (1,508,066) |
| Loss relating to foreign subsidiary | 33,044 | 155 |
| Expenditure not allowable for income tax purposes | 28,162 | 98,442 |
| Movements in deferred tax balance as a result of change in tax rate | - | - |
| Movement in unrecognised tax losses and temporary differences | 1,990,491 | 548,748 |
| Net expenditure incurred in relation to R&D tax incentive | - | 860,721 |
| Actual income tax benefit | - | - |
| Income tax refund comprises: | | |
| Current tax expense (income) | - | - |
| Deferred tax expense (income) | - | - |
| Income tax benefit | - | - |
| Deferred income tax | 2023 \$ | 2022 \$ |
| Deferred tax assets | | |
| -Provisions | 59,120 | 76,911 |
| -Share capital costs | 279,216 | 216,717 |
| -Patents | 97,611 | 113,051 |
| -Right of use leases | 354,572 | 373,902 |
| -Tax losses | 8,758,684 | 7,358,350 |
| Total deferred tax asset | 9,549,204 | 8,138,931 |
| Deferred tax liabilities | | |
| -Trade and other payables | (100,000) | - |
| -Property, plant and equipment | (865,391) | (1,535,159) |
| -Prepayments and other assets | (16,601) | (27,052) |
| Total deferred tax liability | (981,992) | (1,562,210) |
| Net deferred tax asset/ (liability) | 8,567,212 | (6,576,720) |
| Deferred tax asset not recognised | (8,567,212) | (6,576,720) |
| Net deferred tax asset/ (liability) recognised | - | - |
| Deferred income tax (continued) | 2023 \$ | 2022 \$ |
| Carried forward tax losses | 35,034,738 | 29,433,400 |
| Unused tax losses for which no deferred tax asset has been recognised | 34,268,847 | 26,306,882 |
| Potential tax benefit at 25% | 8,567,212 | 6,576,721 |

Losses

At 30 June 2023, the Group has carried forward tax losses of \$35,034,738 (2022: \$29,433,400) of which \$34,268,847 (2022: \$26,306,882) has no deferred tax asset recognised. 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.

Offsetting within a tax consolidated group

Foresta Group Holdings Limited and its wholly owned subsidiaries form a consolidated tax group, whereby the entities are taxed as a single entity. Accordingly, the deferred tax assets and deferred tax liabilities have been offset in the consolidated financial statements.

11. Current assets - cash and cash equivalents

| Cash and cash equivalents include the following components: | 2023 \$ | 2022 \$ |
|-------------------------------------------------------------|------------|------------|
| Cash at bank and in hand | 1,439,582 | 745,320 |
| Cash and cash equivalents | 1,439,582 | 745,320 |

12. Current assets - trade and other receivables

| | 2023 \$ | 2022 \$ |
|--------------------------------------|------------|------------|
| Trade receivables | 22,257 | 43,855 |
| Allowance for expected credit losses | - | - |
| Net trade receivables | 22,257 | 43,855 |
| R&D tax incentive receivable | - | 1,942,832 |
| Insurance receivable | 400,000 | - |
| GST receivable | 109,883 | 215,634 |
| Total Trade and other receivables | 532,140 | 2,202,321 |

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

13. Non-current assets held for sale

Non-current asset held for sale:

| Consolidated | 2023 \$ | 2022 \$ |
|-------------------------------|------------|------------|
| Asset held for sale (Note 16) | 1,250,173 | - |
| Total assets held for sale | 1,250,173 | - |

Liabilities directly associated with non-current assets held for sale:

| Consolidated | 2023 \$ | 2022 \$ |
|---------------------------------------------------------------------------------|------------|------------|
| Liabilities directly associated with non-current assets held for sale (Note 19) | 778,676 | - |
| Total liabilities directly associated with non-current assets held for sale | 778,676 | - |

14. Current assets - inventories

| Consolidated | 2023 \$ | 2022 \$ |
|----------------|------------|------------|
| Stumps | - | 33,988 |
| Diesel | 4,128 | 10,156 |
| Light fuel oil | 30,075 | 33,210 |
| Inventories | 34,203 | 77,354 |

Inventory consists of raw materials stated at the lower of cost and net realisable value on an average cost basis.

15. Current assets - other

| Consolidated | 2023 \$ | 2022 \$ |
|-------------------------------------|------------|------------|
| Prepayments | 104,948 | 116,054 |
| Deposits | 6,338 | 1,680 |
| Security deposits (bank guarantees) | 100,000 | - |
| Other current assets | 211,286 | 117,734 |

16. Non-current assets - property, plant and equipment

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

| Consolidated | Plant & Equipment \$ | Motor Vehicles \$ | Leasehold Improve- ments \$ | Property Leases - Right of use \$ | Work in Progress \$ | Total \$ |
|-----------------------------------------------|----------------------------|-------------------------|--------------------------------------|--------------------------------------------|---------------------------|-------------|
| Cost | 5,847,661 | 77,232 | 78,829 | 1,643,319 | 3,120,395 | 10,767,436 |
| Accumulated depreciation | (880,821) | (61,884) | (5,181) | (352,249) | - | (1,300,135) |
| Closing balance at 30 June 2022 | 4,966,840 | 15,348 | 73,648 | 1,291,070 | 3,120,395 | 9,467,301 |
| Cost | 1,386,482 | 141,436 | 78,829 | 1,742,997 | 4,984,757 | 8,334,502 |
| Accumulated depreciation and impairment | (434,685) | (40,324) | (13,064) | (426,274) | - | (561,685) |
| Closing balance at 30 June 2023 | 951,797 | 101,112 | 65,765 | 1,316,723 | 4,984,757 | 7,420,154 |

Movements in carrying amounts for each class of property, plant and equipment

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

| Consolidated | Plant & Equipment* | Motor Vehicles | Leasehold Improvements | Property Leases - Right of use | Work in Progress | Total |
|----------------------------------------|--------------------|----------------|------------------------|--------------------------------|------------------|-------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Opening written down value 1 July 2021 | 6,062,767 | 30,649 | - | 1,034,629 | - | 7,128,045 |
| Additions | 1,099,043 | - | 78,829 | 364,099 | 3,120,395 | 4,662,366 |
| Disposals | (1,621,929) | - | - | - | - | (1,621,929) |
| Depreciation | (573,041) | (15,301) | (5,181) | (107,658) | - | (701,181) |
| Closing balance at 30 June 2022 | 4,966,840 | 15,348 | 73,648 | 1,291,070 | 3,120,395 | 9,467,301 |
| Opening written down value 1 July 2022 | 4,966,840 | 15,348 | 73,648 | 1,291,070 | 3,120,395 | 9,467,301 |
| Additions | 143,582 | 105,012 | - | 152,155 | 1,864,362 | 2,265,111 |
| Impairment | (94,005) | - | - | (11,661) | - | (105,666) |
| Disposals | (2,339,018) | (753) | - | - | - | (2,339,771) |
| Transfer of assets held for sale | (1,250,173) | - | - | - | - | (1,250,173) |
| Depreciation | (475,429) | (18,495) | (7,883) | (114,840) | - | (616,647) |
| Closing balance at 30 June 2023 | 951,797 | 101,112 | 65,765 | 1,316,723 | 4,984,757 | 7,420,154 |

* Plant and equipment are pledged as security under the Altor Pty Ltd loan facility as detailed in Note 19.

Leased assets

The Group leases land and buildings for its offices, motor vehicles and plant and equipment used in its operations.

The lease terms consist of:

| | |
|---------------------------------|-----------|
| Operational site - Isis Central | 17 years |
| Corporate office - Maryborough | 3 years |
| Corporate office - Landsborough | 5 years |
| Corporate office - Papamoa | 3 years |
| Plant and equipment | 1-5 years |

Additions to the right of use asset during the period relates to the corporate office at Papamoa.

The operational site lease includes an option in favour of the Group for an additional 10 years, and the corporate office include options for an additional 3, 5 and 3 years respectively. The right of use assets included above for the operational site, the Maryborough corporate office, and the Papamoa corporate office have been calculated on the fixed lease period and do not include the potential option period. For the Landsborough lease, the fixed lease period with an additional 5-year extension has been included. This is based on management's best estimate on whether options are likely to be exercised.

The Group's obligations under its leases are secured by the lessor's title to the leased assets.

Impairments Testing of Non-Financial Assets

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

- \$2,144,999 assets were either impaired or written off on the basis that no future economic benefits are expected from its use or disposal.

- After the Board decision to move the factory to Rotorua, New Zealand on 29 November 2022, the Company has vacated its Maryborough office in an attempt to terminate its lease prior to its maturity date. The right of use asset was tested for impairment under AASB136 and as a result the carrying value of \$11,661 was impaired.

Management is, at the time of this report, considering several options in relation to the future use of the Isis Central site. In assessing the Right of Use Asset at this location for impairment, Management has given consideration to the planned utilisation of the leased site (which includes several options related to research and development) as well as the fair value less costs of disposal (by reference to comparable market rental rates for similar properties in the same geographical location). Based on this assessment, Management has concluded that the Right of Use Asset is not impaired as at 30 June 2023.

In April 2023, Management contracted a valuations agency to conduct a valuation on the plant and equipment held at the operational site. As a result, a small number of assets have been identified with a market value less cost of disposal below their individual written down book values. The Group has accounted for an impairment on the relevant assets in line with AASB 136 *Impairment of Assets*.

Assets held for sale

The Group has identified several assets located at the Isis Central operational site which would be uneconomical to transport to New Zealand. The Group is currently actively advertising the assets for sale.

Disposals

The Group has started disposing of assets from the Isis Central operational site. Transporting the specified assets to New Zealand is deemed uneconomical and other assets have been decommissioned due to it not meeting the Group's requirements for the Rotorua New Zealand factory.

17. Non-current assets - other

| Consolidated | 2023 \$ | 2022 \$ |
|-------------------------------------|------------|------------|
| Security deposits (bank guarantees) | - | 100,000 |
| Other deposits | 37,970 | 32,035 |
| Other non-current assets | 37,970 | 132,035 |

18. Current liabilities - trade and other payables

Trade and other payables consist of the following:

| Consolidated | 2023 \$ | 2022 \$ |
|--------------------------------|------------|------------|
| Trade payables | 215,611 | 850,885 |
| Accruals | 145,251 | 211,692 |
| Total trade and other payables | 360,862 | 1,062,577 |

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial reporting period and which are unpaid. Due to their short-term nature, they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

19. Current liabilities - borrowings

| Consolidated | 2023 \$ | 2022 \$ |
|---------------------------------|------------|------------|
| Altor Pty Ltd loan ^A | - | 632,783 |
| Convertible notes ^B | - | 1,467,409 |
| Other loans ^C | 44,627 | 65,616 |
| Current borrowings | 44,627 | 2,165,808 |

- A. The Altor Pty Ltd facility has been reclassified to liabilities directly associated with non-current assets held for sale (Note 13) as a result of the Company's commitment to sell the assets held as security under the agreement.

On 29 April 2021 the Company executed a loan facility agreement with Altor Capital Pty Ltd. The key terms of the loan agreement are:

- Loan amount: \$2,000,000
 - Loan term: 29 April 2024
 - Interest rate: 11% per annum
 - Security: a general security charge over the assets of the Company
 - No equity conversion rights
 - Monthly repayments of Principal and Interest with the balance repayable by the Company at any time (during the loan term)
 - An amendment was executed on 5 May 2022 for an advance of \$500,000 on the facility. The advance was repaid on 25 May 2022.
 - As part of the original transaction Altor Capital Pty Ltd received 4,000,000 share options. These options vested immediately, and the fair value was offset against the carrying amount of the Altor loan and are recognised as borrowing costs in the statement of profit or loss over the term of the loan.
 - As a result of the amendment, the 4,000,000 options were cancelled, and 10,000,000 share options were issued in return. The original 4,000,000 options vested immediately therefore the fair value of these options has remained in equity. The 10,000,000 options vested immediately, and the fair value was offset against the carrying amount of the loan advance and recognised as borrowing costs in the statement of profit or loss over the term of the advance. Refer to Note 33 for valuation considerations of the options.
 - At 30 June 2023 there is a total of \$6,287 accrued interest on the Altor loan included in accruals.
- B. On 5 May 2022, the Company issued 1,510,000 convertible notes to investors as part of its capital raising activities. The key terms of the agreements are:
- Total subscription sum: \$1,510,000
 - Term: 3 months
 - Interest rate: 1% per month
 - Security: a general security charge over the assets of the Company
 - Conversion price: \$0.027 per share
 - On 3 July 2022 a variation to the convertible notes was approved by the Company and the noteholders. The variation provided the noteholders with one free-attaching option for every two shares acquired through the conversion of the notes. The options were to vest at conversion date, are exercisable at \$0.045 each and has an expiry date of 31 August 2023.
 - On 20 July 2022, 1,510,000 notes were converted into 55,925,935 ordinary shares, at a total value of \$1,677,777.
- C. Other loans comprise solely from insurance premium funding.

20. Current liabilities - derivative financial instruments

| Consolidated | 2023 \$ | 2022 \$ |
|------------------------------------------|------------|------------|
| Derivative on convertible notes | - | 167,777 |
| Current derivative financial instruments | - | 167,777 |

21. Current liabilities - lease liabilities

| Consolidated | 2023 \$ | 2022 \$ |
|---------------------------|------------|------------|
| Lease liabilities | 109,464 | 186,970 |
| Current lease liabilities | 109,464 | 186,970 |

22. Current liabilities - provisions

| Consolidated | 2023 \$ | 2022 \$ |
|-----------------------------------------------|------------|------------|
| Employee leave entitlements ^A | 86,581 | 119,515 |
| Mining rehabilitation provisions ^B | 50,000 | 50,000 |
| Provision for make good ^C | 13,455 | - |
| Total current provisions | 150,036 | 169,515 |

- 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. Foresta Group Holdings Limited's 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 is progressing, and the provision is still considered an accurate estimate of the remaining liability.
- C. The Group is in the process of rebuilding fixtures to the Isis Central site which were originally constructed by the landowner and provision has been made for anticipated future costs.

23. Non-current liabilities - borrowings

| Consolidated | 2023 \$ | 2022 \$ |
|------------------------------|------------|------------|
| Altor Pty Ltd loan (Note 19) | - | 655,083 |
| Non-current borrowings | - | 655,083 |

24. Non-current liabilities - lease liabilities

| Consolidated | 2023 \$ | 2022 \$ |
|-------------------------------|------------|------------|
| Lease liabilities | 1,447,020 | 1,626,724 |
| Non-current lease liabilities | 1,447,020 | 1,626,724 |

Refer to Note 29 for details of future lease payments.

25. Non-current liabilities - provisions

| Consolidated | 2023 \$ | 2022 \$ |
|--------------------------------------------|------------|------------|
| Employee leave entitlements ^(a) | 32,222 | 18,898 |
| Provision for make good ^(b) | 4,594 | - |
| Total non-current provisions | 38,816 | 18,898 |

- (a) These liabilities represent the Group's obligations to its current employees in relation to long service leave that are expected to be settled greater than 12 months after reporting date.
- (b) The Group entered into a new lease agreement for corporate offices in Papamoa New Zealand.

26. Equity - issued capital

The current issued share capital of Foresta Group Holdings 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.

| | 2023 Number | 2023 \$ | 2022 Number | 2022 \$ |
|----------------------------------------|----------------|------------|----------------|------------|
| Movements in ordinary share capital | | | | |
| Balance at beginning of financial year | 1,582,112,943 | 23,146,672 | 1,492,407,082 | 15,335,496 |
| Shares issued (a) | - | - | 80,000,000 | 8,000,000 |
| Options exercised (b) | - | - | 9,705,861 | 291,176 |
| Shares issued (c) | 156,666,667 | 4,700,000 | - | - |
| Conversion of notes (d) | 55,925,935 | 1,677,777 | - | - |
| Rights exercised (e) | 2,000,000 | - | - | - |
| Shares issued (f) | 13,333,333 | 400,000 | - | - |
| Shares issued (g) | 252,000,000 | 3,024,000 | - | - |
| Transaction costs | - | (542,440) | - | (480,000) |
| Total contributed equity | 2,062,038,878 | 32,406,009 | 1,582,112,943 | 23,146,672 |

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

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

Notes for the above table, relating to the year ended 30 June 2023, are:

- (c) On 20 July 2022, Foresta Group Holdings Limited successfully completed a placement raising \$4,700,000 through the issue of 156,666,667 ordinary shares.
- (d) On 20 July 2022, 1,510,000 notes were converted into 55,925,935 ordinary shares, at a total value of \$1,677,777. The convertible notes were issued to external investors in May 2022.
- (e) On 20 July 2022, Drew Speedy exercised his performance rights after meeting the performance requirements.
- (f) On 9 September 2022, Foresta Group Holdings Limited successfully completed a placement raising \$400,000 through the issue of 13,333,333 ordinary shares. The placement was agreed to along with the July 2022 placement, with deferred settlement terms.
- (g) On 5 April 2023, Foresta Group Holdings Limited successfully completed a placement raising \$3,024,000 through the issue of 252,000,000 ordinary shares.

27. Equity - reserves

| | 2023 \$ | 2022 \$ |
|-------------------------------------------------------------------------|------------|------------|
| Share based payments reserve | | |
| Movements: | | |
| Balance at beginning of the financial year | 928,552 | 536,119 |
| Share based payment expense | 112,339 | 268,633 |
| Borrowing costs on convertible notes | - | - |
| Share based payment capitalised transaction costs - Altor loan facility | 144,405 | 123,800 |
| Balance at the end of the financial year | 1,185,296 | 928,552 |

The reserve records the value of equity benefits, i.e. share based payments, provided to employees and directors

as part of their remuneration, as well as to suppliers. Refer to Note 33 Share Based Payments for further details of these plans.

28. Equity - accumulated losses

| Consolidated | 2023 \$ | 2022 \$ |
|--------------------------------------------|--------------|--------------|
| Balance at beginning of the financial year | (17,386,510) | (11,354,247) |
| Loss after income tax for the year | (8,206,788) | (6,032,263) |
| Balance at the end of the financial year | (25,593,298) | (17,386,510) |

29. Financial instruments

The Group's principal financial instruments comprise of lease liabilities, borrowings, receivables, payables, derivatives, and cash and short-term deposits.

Primary responsibility for the identification and control of financial risks rests with Board. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessment of market forecast for interest rate and foreign exchange. The Group manages credit risk by only dealing with recognised, creditworthy, third parties and liquidity risk is monitored through the development of future rolling cash flow forecasts.

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.

At reporting date, the Group had the following exposure to variable interest rate risk:

| Financial assets | 2023 \$ | 2022 \$ |
|-------------------------------------|------------|------------|
| Cash at bank | 1,439,582 | 745,320 |
| Security deposits (bank guarantees) | 100,000 | 100,000 |
| | 1,539,582 | 845,320 |

Borrowings disclosed in Notes 19 and 23 have not been included in the above table as the applicable interest rates are fixed.

The following table summarises the impact of reasonably possible changes in interest rates for the Group at 30 June 2023. The sensitivity is based on the assumption that interest rate changes by 50 basis points (2022: 50 basis points) with all other variables held constant. The 50-basis points sensitivity is based on reasonably possible changes over the reporting period.

| Impact on post tax profit and equity Higher / (lower) | 2023 \$ | 2022 \$ |
|----------------------------------------------------------|------------|------------|
| 50bp increase (2022: 50bp) | 7,698 | 4,227 |
| 50bp decrease (2022: 50bp) | (7,698) | (4,227) |

The analysis above excludes borrowings and lease liabilities as both are contracted under fixed interest rates.

Foreign currency risk

The Group has foreign currency risk exposure on cash reserves and has transactional exposures arising from the payment of foreign currency invoices. The Company is exposed to movements in US dollar and NZ dollar on cash reserves.

At the reporting date the Group had the following exposure to foreign currencies.

| Financial assets | 2023 \$ | 2022 \$ |
|----------------------------------|------------|------------|
| <i>Cash and cash equivalents</i> | | |
| - USD | 176 | 28,016 |
| - NZD | 53,172 | 6,349 |
| | 53,348 | 34,365 |

The following table summarises the impact of reasonably possible changes in foreign currency exchange rates for the Group at 30 June 2023 on recognised financial assets at the reporting date. The sensitivity is based on the assumption that the exchange rates change by increasing 10% or decreasing 10% with all other variables held constant. These 10% sensitivities are based on reasonably possible changes over the reporting period, using the observed range of actual historical rates for the preceding three-year period. The analysis is performed on the same basis for the comparative period.

| Impact on post tax profit and equity <i>Higher / (lower)</i> | 2023 \$ | 2022 \$ |
|-----------------------------------------------------------------|------------|------------|
| - AUD/USD +10% (2022: +10%) | (16) | (2,521) |
| - AUD/USD -10% (2022: +10%) | 19 | 3,082 |
| - AUD/NZD +10% (2022: +10%) | (4,785) | (571) |
| - AUD/NZD -10% (2022: +10%) | 5,849 | 698 |

Credit risk

Credit risk arises in the event that a counterparty will not meet its obligations under a financial instrument leading to financial losses. The Group is exposed to credit risk from its operating activities and financing activities including deposits with banks.

The credit risk control procedure adopted by the Group is to assess the credit quality of the institution with which funds are deposited or invested, taking into account its financial position and past experiences. The limits are assigned to minimise concentration of risks and mitigate financial loss through potential counterparty failure. The compliance with credit limits is regularly monitored as part of day-to-day operations. Any credit concerns are highlighted to the Board.

| Credit Quality of Financial Assets | S&P Credit Rating | |
|------------------------------------|-------------------|---------------|
| | A1+ \$ | Unrated \$ |
| 30 June 2022 | | |
| Cash and cash equivalents | 745,320 | - |
| Receivables | - | 259,489 |
| Number of Counterparties | 2 | 5 |
| Largest counterparty (%) | 96% | 83% |

| Credit Quality of Financial Assets | A1+ | Unrated |
|------------------------------------|-----------|---------|
| | \$ | \$ |
| 30 June 2023 | | |
| Cash and cash equivalents | 1,439,582 | - |
| Receivables | - | 532,140 |
| Number of Counterparties | 2 | 8 |
| Largest counterparty (%) | 97% | 75% |

Liquidity risk

The responsibility for liquidity risk management rests with the Board of Directors.

The Group manages liquidity risk by maintaining sufficient cash or credit facilities to meet the operating requirements of the business and investing excess funds in highly liquid short-term investments. The Group's liquidity needs can be met through a variety of sources, including:

- cash generated from operations and the sale of assets,
- short- and long-term borrowings, and
- issue of equity instruments.

Alternatives for sourcing the Group's future capital needs include current cash position, future operating cash flow, debt financings and equity raisings. These alternatives are evaluated to determine the optimal mix of capital resources.

The following table details the Group's non-derivative financial instruments according to their contractual maturities. The amounts disclosed are based on contractual undiscounted cash flows. As a result, these balances may not agree with the amounts disclosed in the statement of financial position.

| As at 30 June 2022 | Less than 12 months \$ | 1-5 years \$ | More than 5 years \$ |
|--------------------------|---------------------------|------------------|-------------------------|
| Trade and other payables | 1,062,577 | - | - |
| Lease Liabilities | 418,991 | 601,405 | 1,022,497 |
| Borrowings | 2,165,808 | 655,083 | - |
| Total | 3,647,376 | 1,256,488 | 1,022,497 |

| As at 30 June 2023 | Less than 12 months \$ | 1-5 years \$ | More than 5 years \$ |
|--------------------------------------------------------------|---------------------------|-----------------|-------------------------|
| Trade and other payables | 360,862 | - | - |
| Lease Liabilities | 160,488 | 605,049 | 1,030,955 |
| Borrowings | 44,627 | - | - |
| Liabilities associated with non-current assets held for sale | 778,676 | - | - |
| Total | 1,344,653 | 605,049 | 1,030,955 |

Capital risk management

When managing capital (being equity and long-term debt) management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits to other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity reflecting the current business status of the entity.

Management constantly adjusts the capital structure to take advantage of favourable costs of capital or high return on assets. As the market is constantly changing, management may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group does not currently have a dividend policy.

The Group monitors its capital through monthly Board reporting including management accounts and forecasts combined with appropriate external financial, corporate and legal advice when required. Due to the nature of the operations of the Group and its financial position, Management does not have a target debt/equity ratio. Management prefers to maintain a flexible financing structure.

The Group is not subject to any externally imposed capital requirements.

30. Key management personnel disclosures

Key management personnel compensation:

| Consolidated | 2023 \$ | 2022 \$ |
|------------------------------|------------|------------|
| Short-term employee benefits | 826,527 | 993,923 |
| Post-employment benefits | 42,459 | 74,221 |
| Share based payments | 80,890 | 266,898 |
| Total | 949,876 | 1,335,042 |

31. Remuneration of auditors

| | 2023 \$ | 2022 \$ |
|------------------------------------------|------------|------------|
| Audit and review of financial statements | 95,825 | 80,500 |
| Taxation compliance services | 13,900 | 11,897 |
| Total auditor's remuneration | 109,725 | 92,397 |

32. Related party transactions

Parent Entity

The Parent entity within the Group is Foresta Group Holdings Limited. The Company is listed on the Australian Securities 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 38.

Key Management Personnel

Disclosures relating to remuneration of key management personnel are set out in Note 30 and also further details are included in the Remuneration Report contained in the Directors' Report.

Transactions with related parties

The following transactions occurred with related parties:

| Consolidated | 2023 \$ | 2022 \$ |
|---------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| Payment for services: | | |
| Payment for corporate advisory services from Tegis Pty Ltd (Director related entity of T Gray) | 60,000 | 120,000 |
| Payment for corporate advisory services from The Trustee for the Formosa Coal Unit Trust (Director related entity of H Cheng and M Fabiani) | 199,725 | - |
| Payment for corporate advisory services from Formosa Executive Pty Ltd (Director related entity of M Fabiani) | 49,725 | - |

There are no outstanding amounts receivable or payable at the reporting date in relation to transactions with related parties.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

33. Share-based payments

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

| | Share Options |
|-----------------------------------------|---------------|
| Exercise Price | \$0.045 |
| Grant Date | 07 Sep 2022 |
| Expiry Date | 31 Aug 2023 |
| Risk-free rate | 2.86% |
| Volatility | 75.00% |
| Value per option | \$0.00516 |
| Number of options | 27,962,985 |
| Total value of options | \$144,405 |
| Amount expensed in prior years | - |
| Amount expensed in current period | \$144,405 |
| Amount to be expensed in future periods | - |

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.

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:

| | 2023 \$ | 2022 \$ |
|---------------------------------------------------|------------|------------|
| Share-based payments reserve | | |
| Movements: | | |
| Balance at beginning of the financial year | 928,552 | 536,119 |
| Cost of share-based payment | 112,339 | 268,633 |
| Share based payment capitalised transaction costs | 144,405 | 123,800 |
| Balance at the end of the reporting period | 1,185,296 | 928,552 |

Outstanding performance rights

The outstanding balance of performance rights as at 30 June 2023 is represented below:

| Grant Date | Expiry Date | Exercise Price | Performance rights 2023 | Performance rights 2022 |
|-------------|-------------|----------------|-------------------------|-------------------------|
| 27-Nov-2020 | 03-08-2023 | \$Nil | 16,500,000 | 33,000,000 |
| 16-Sep-2021 | 30-09-2022 | \$Nil | - | 2,000,000 |
| Total | | | 16,500,000 | 35,000,000 |

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 2023 | WAEP \$ 2023 | Number of options 2022 | WAEP \$ 2022 |
|------------------------------------------|------------------------|--------------|------------------------|--------------|
| Outstanding at the beginning of the year | 39,879,170 | 0.051 | 49,158,526 | 0.072 |
| Granted during the year | 364,962,985 | 0.045 | 10,000,000 | 0.04 |
| Exercised during the year | - | - | (9,705,861) | 0.03 |
| Expired during the year | (1,629,168) | 0.211 | (5,573,495) | 0.201 |
| Forfeited during the year | - | - | (4,000,000) | 0.13 |
| Outstanding at the end of the year | 403,212,987 | 0.045 | 39,879,170 | 0.051 |

There are no options that were issued but not vested at 30 June 2023 (nil unvested at 30 June 2022).

Outstanding options

The outstanding balance of options as at 30 June 2023 is represented below.:

| Grant Date | Expiry Date | Exercise Price | Share options 2023 | Share options 2022 |
|-----------------------------------------------------------------------------|-------------------|----------------|--------------------|--------------------|
| 16 June 2017 | 3 July 2022 | \$0.259 | - | 680,000 |
| 22 May 2018 | 19 March 2023 | \$0.177 | - | 283,334 |
| 22 May 2018 | 22 May 2023 | \$0.177 | - | 665,834 |
| 14 September 2018 | 14 September 2023 | \$0.177 | 1,275,000 | 1,275,000 |
| 20 December 2018 | 1 February 2024 | \$0.177 | 1,275,000 | 1,275,000 |
| 20 December 2018 | 1 April 2024 | \$0.294 | 850,002 | 850,002 |
| 17 February 2020 | 1 March 2025 | \$0.023 | 24,750,000 | 24,750,000 |
| 29 April 2021 | 29 April 2024 | \$0.130 | 100,000 | 100,000 |
| 5 May 2022 | 30 June 2025 | \$0.040 | 10,000,000 | 10,000,000 |
| 7 September 2022 | 31 August 2022 | \$0.045 | 112,962,985 | - |
| 5 April 2023 | 31 December 2025 | \$0.045 | 42,000,000 | - |
| 15 June 2023 | 31 December 2025 | \$0.045 | 210,000,000 | - |
| Total | | | 403,212,987 | 39,879,170 |
| The weighted average remaining life of the options outstanding at year end. | | | 1.77 years | 2.56 years |

Employee share option plan (ESOP)

A share option plan and performance rights plan has been established and approved by shareholders at a general meeting, whereby the consolidated entity may, at the discretion of the Board, grant options and performance rights over ordinary shares in the Company to eligible employees and consultants.



Options and rights may not be issued under the plans 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 plans were exercised, would exceed 5% of the total number of shares on issue at the time of the proposed offer.

34. Contingent assets

Insurance Claim

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

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

35. Commitments and contingent liabilities

WorkSafe Queensland Penalty

As a result of the incident at the Apple Tree Creek plant, the Group understands that WorkSafe QLD may raise a penalty as is standard in similar scenarios. Confirmation on the timing and extent of the penalty have not yet been provided. The Group has insurance coverage under its management liability in relation to penalties and fines.

Public Liability Claim

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

36. 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:

| | 2023 | 2022 |
|---------------------------|-----------|---------|
| | \$ | \$ |
| Cash and cash equivalents | 1,439,582 | 745,320 |



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

| | 2023 \$ | 2022 \$ |
|-----------------------------------------------------------------|-------------|-------------|
| Net loss for the period | (8,206,788) | (6,032,264) |
| Adjustments for: | | |
| Depreciation | 616,646 | 701,181 |
| Share based payments | 112,339 | 268,633 |
| Finance costs on borrowing | 244,585 | 286,668 |
| Insurance recoveries related to property, plant and equipment | (400,000) | (1,160,000) |
| Loss on disposal and impairment of property plant and equipment | 2,293,620 | 1,621,929 |
| Unrealised loss on foreign exchange | 61,578 | 52,568 |
| Net changes in working capital: | | |
| Change in trade and other receivables | 26,797 | 643,505 |
| Change in other assets | 1,986,496 | (2,426) |
| Change in trade and other payables | (190,228) | (563,705) |
| Change in provisions | (6,156) | 3,957 |
| Net cash provided/(used) in operating activities | (3,461,111) | (4,179,954) |

c) Non-cash investing and financing activities

Settlement of executive and supplier payments by options and performance rights issued are non-cash transactions excluded from the statement of cash flows.

The Group has entered into a property lease agreement for corporate offices in Papamoa New Zealand. The lease commenced in May 2023 for a three-year term, with the option to renew for an additional three years.

37. Parent entity information

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.

An impairment loss of \$12,055,426 was recognised by the parent entity in operating loss for the year ended 30 June 2023 to adjust for recoverability of loans to and investments in subsidiaries. This impairment loss reduced the carrying value of the line-item investment in subsidiaries and loans to subsidiaries for the parent entity financial information but eliminates on consolidation.

- Loan to Leaf Sciences Pty Ltd – impairment expense \$18,774
- Loan to Leaf Research Pty Ltd – impairment expense \$4,656
- Loan to Leaf Malaysia OpCo Sdn. Bhd. – impairment expense \$12,850
- Loan to Farmacule Bioindustries Pty Ltd – impairment expense \$6,465
- Loan to Leaf Resources USA, LLC – impairment expense \$5,407
- Loan to Essential Queensland Pty Ltd – impairment expense \$12,007,274

The parent entity does not have any guarantees held over debts of the subsidiaries, contingent liabilities or contractual commitments as at 30 June 2023. Contingencies and commitments at Note 35 relate to Essential Queensland Pty Ltd.

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

| | 2023 | 2022 |
|----------------------------------------------|---------------------|-------------------|
| | \$ | \$ |
| Financial Position | | |
| Assets | | |
| Current assets | 1,377,226 | 2,734,645 |
| Non-current assets | 5,255,984 | 12,405,636 |
| Total assets | 6,633,210 | 15,140,281 |
| Liabilities | | |
| Current liabilities | 897,440 | 2,707,428 |
| Non-current liabilities | 349,932 | 1,018,306 |
| Total liabilities | 1,247,372 | 3,725,734 |
| Equity | | |
| Issued capital | 77,115,701 | 17,134,150 |
| Share based payments reserve | 2,020,387 | 836,103 |
| Retained losses | (73,750,249) | (6,555,706) |
| Total equity | 5,385,839 | 11,414,547 |
| Financial Performance | | |
| Profit/(loss) before income tax | (15,544,789) | 2,880,341 |
| Income tax expense | - | - |
| Total comprehensive loss for the year | (15,544,789) | 2,880,341 |

38. Interests in 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 | |
|----------------------------------------|------------------------------------------|--------------------------|-----------------|--------------------|--------|
| | | | | 2023 % | 2022 % |
| <i>Essential Queensland Pty Ltd</i> | <i>Chemicals extraction</i> | <i>Australia</i> | Ord | 100 | 100 |
| <i>AQL Mining Pty Ltd</i> | <i>Mining of gravel and general fill</i> | <i>Australia</i> | Ord | 100 | 100 |
| <i>Farmacule BioIndustries Pty Ltd</i> | <i>Research & development</i> | <i>Australia</i> | Ord | 100 | 100 |
| <i>Leaf Sciences Pty Ltd</i> | <i>Intellectual property owner</i> | <i>Australia</i> | Ord | 100 | 100 |
| <i>Leaf Research Pty Ltd</i> | <i>Research & development</i> | <i>Australia</i> | Ord | 100 | 100 |
| <i>Leaf Performance Plan Pty Ltd</i> | <i>Trustee of employee share trust</i> | <i>Australia</i> | Ord | 100 | 100 |
| <i>Leaf Resources USA, LLC</i> | <i>Investor in Leaf Development, LLC</i> | <i>USA</i> | Ord | 100 | 100 |
| <i>Leaf Development LLC</i> | <i>Investment Company</i> | <i>USA</i> | Ord | 80 | 80 |

| | | | | | |
|-----------------------------------------|---------------------------|--------------------|-----|-----|-----|
| <i>Leaf Malaysia OpCo Sdn. Bhd.</i> | <i>Investment Company</i> | <i>Malaysia</i> | Ord | 100 | 100 |
| <i>Foresta (NZ) Limited^A</i> | <i>Project company</i> | <i>New Zealand</i> | Ord | 100 | - |

A. Foresta (NZ) Limited was established in December 2022.

39. Events after the reporting period

Since 30 June 2023, the following matters have arisen which may significantly affect the operations of the Group:

- The Company filed a new technology patent with IP Australia to protect its integrated process for organic solvents extraction with wood pellets and torrefied wood pellets production, as announced on 28 July 2023. The integration synergies enable lower production and capital costs. The Group will be using the technology in the soon to be developed Rotorua factory.
- On 7 August 2023, shareholders approved the name change of the Group's parent company from Leaf Resources Limited to Foresta Group Holdings Limited. The name change is the start of a new chapter for the Group as it looks to position itself as a global leader in manufacturing.
- On 11 August 2023, the Company announced that it signed a term sheet with Tailored Energy Resources Limited in relation to an offtake agreement to supply up to 400,000 tonnes per annum of torrefied wood pellets. The initial term is for eight years, commencing at the commissioning of the Rotorua factory.
- The Group continued its progress on the Rotorua factory by signing a letter of intent with Lawter (NZ) Limited for the offtake of 8,000 tonnes of rosin per annum and 500 tonnes of turpentine per annum. The initial term is for a five (5) year period, with the option to renew for a further five (5) years.
- The Group has commenced and will finalise an off-market share placement on 12 October 2023, to a sum of \$2,332,508. A total of 179,423,692 shares will be issued at a price of \$0.013 per share, had carries one free attaching option for every share issued. The options have a face value of \$0.02 and will expire after two (2) years.



DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Foresta Group Holdings Limited, I state that:

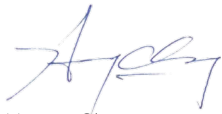
In the opinion of the directors of Foresta Group Holdings Limited:

- a) the consolidated financial statements and notes of Foresta Group Holdings 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 2023 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 Foresta Group Holdings 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 for the financial year ended 30 June 2023.

Note 4 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.



Henry Cheng
Executive Chairman
Melbourne, Victoria, Australia
6 October 2023

Shareholder Information

The ASX additional shareholder information set out below was applicable as at 30 June 2023.

1. Distribution of equity security holders:

Holding Distribution

Equity security holders

| Range | No. of Holders | % of Securities | Options | Performance Rights |
|-------------------|----------------|-----------------|---------|--------------------|
| 100,001 and over | 670 | 98.41 | 27 | 1 |
| 10,001 to 100,000 | 703 | 1.48 | - | - |
| 5,001 to 10,000 | 193 | 0.07 | - | - |
| 1,001 to 5,000 | 212 | 0.03 | - | - |
| 1 to 1,000 | 444 | 0.01 | - | - |
| | 2,222 | 100% | 27 | 1 |

2. Quoted equity security holders:

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

| # | Name | Ordinary shares number | Ordinary shares % issued |
|----|----------------------------------------------------------|------------------------|--------------------------|
| 1 | RAMON DUDLEY MOUNTFORT & SHIRLEY JOY MOUNTFORT | 590,700,000 | 28.65% |
| 2 | SWAT7D PTY LTD | 210,000,000 | 10.18% |
| 3 | GREGORY LLOYD SAMSON & ROSEMARIE ANNE SAMSON | 53,625,000 | 2.60% |
| 4 | DR FAB SUPER PTY LTD | 42,000,000 | 2.04% |
| 5 | KELIRI PTY LTD | 40,708,000 | 1.97% |
| 6 | MRPG INVESTMENTS (AUS) PTY LTD | 38,775,000 | 1.88% |
| 7 | MR GRANT RICHARD LESLIE YEATMAN & MRS CARMEN RAE YEATMAN | 35,250,000 | 1.71% |
| 8 | BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD | 33,719,653 | 1.64% |
| 9 | THE TRUST COMPANY (AUSTRALIA) LIMITED | 32,623,946 | 1.58% |
| 10 | MR MARK PHILLIP JONES | 28,000,000 | 1.36% |
| 11 | MAJANAH PTY LTD | 25,159,260 | 1.22% |
| 12 | JOB RAT PTY LTD | 25,000,008 | 1.21% |
| 13 | BRINCLIFF PTY LTD | 23,666,666 | 1.15% |
| 14 | MR GRANT RICHARD LESLIE YEATMAN & MRS CARMEN RAE YEATMAN | 22,912,500 | 1.11% |
| 15 | NETWEALTH INVESTMENTS LIMITED | 20,417,743 | 0.99% |
| 16 | UNRANDOM PTY LTD | 20,000,000 | 0.97% |
| 17 | YEATMAN GLOBAL AUSTRALIA PTY LTD | 20,000,000 | 0.97% |
| 18 | INVIA CUSTODIAN PTY LIMITED | 17,904,616 | 0.87% |
| 19 | MR ROBERT ALLEN | 14,864,971 | 0.72% |
| 20 | MR RUSSELL WAYNE ALLEN | 14,751,564 | 0.72% |

3. Unquoted equity securities – Options & Performance Rights

| Expiry Date | Number on issue | Number of holders |
|----------------------------|-----------------|-------------------|
| Options | | |
| Unlisted 31 August 2023 | 112,962,985 | 21 |
| Unlisted 14 September 2023 | 1,275,000 | 1 |
| Unlisted 1 February 2024 | 2,125,002 | 2 |
| Unlisted 29 April 2024 | 100,000 | 1 |
| Unlisted 1 March 2025 | 24,750,000 | 1 |
| Unlisted 30 June 2025 | 10,000,000 | 1 |
| Unlisted 31 December 2025 | 252,000,000 | 2 |
| Performance Rights | | |
| Unlisted 3 August 2023 | 16,500,000 | 1 |

4. Substantial holders

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

| Shareholder | Number of Ordinary Shares Held | Percentage |
|----------------------------------------------------------------|--------------------------------|------------|
| Ramon Mountfort & Shirley Mountfort ATF Mounties1 Family Trust | 590,700,000 | 28.65% |
| SWAT7D Pty Ltd | 210,000,000 | 10.18% |

5. Unmarketable Parcels

The number of shareholders holding less than a marketable parcel is 1,193.

6. 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 and performance rights have no voting rights.

7. Corporate Governance

The Company's Corporate Governance Statement can be found at: <https://forestagroup.com.au/shareholder-information-2/>

Corporate Directory

| | |
|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Board of Directors: | Henry Cheng Ramon Mountfort Maurice Fabiani |
| Company Secretary: | Mark Licciardo |
| Managing Director: | Ramon Mountfort |
| Registered Office & Principle Place of Business: | 10/12 Kelly Court, Landsborough Queensland, Australia 4550 Telephone: +61 (7) 5494 8790 |
| Auditors: | Grant Thornton Audit Pty Ltd King George Central Level 18 145 Ann Street Brisbane, Queensland, Australia |
| Stock Exchange: | Foresta Group Holdings Limited (ASX: FGH) shares are listed on the Australian Securities Exchange (ASX) |
| Bankers: | Westpac Banking Corporation 260 Queen Street Brisbane, Queensland, Australia 4000 |
| Share Registry: | Link Market Services Limited Level 21, 10 Eagle St, Brisbane, QLD, Australia, 4000 Locked Bag A14 South Sydney, NSW, Australia 1235 Telephone: +61 1300 554 474 Facsimile: +61 (2) 9287 0309 |
| Solicitors: | Steinepreis Paganin Level 4, 50 Market Street Melbourne, Victoria, Australia 3000 |
| ASX Code: | FGH |
| Website: | www.forestagroup.com.au |





FORESTA GROUP HOLDINGS
ASX:FGH