SUSTAINABLE PRODUCTS FROM PLANT BIOMASS

ANNUAL REPORT

YEAR ENDING
30 JUNE 2019

Table of Contents

Chairman and Chief Executive Officer's Message

The 2019 reporting period saw the company achieve a number of important milestones placing the Company in a strong position to continue commercialisation of our proprietary technology via the first biorefinery project in Segamat, Malaysia.

In support of the Segamat biorefinery project, the company completed phase 3 of the integrated demonstration study at the Bioprocess Pilot Facility B.V. in Delft, Holland. During the study Leaf Malaysia hosted delegations from Malaysia including Federal Government officials and groups from potential offtake partners of the project, including Petronas.

Leaf received additional and ongoing support from the Malaysian Government for the proposed Glycell™ biorefinery project at Segamat in the Johor Province, Malaysia. This support includes the approval of a less developed area tax incentive and the granting of a manufacturing licence that enables the right to manufacture fermentable sugars, glycerol and lignin coming from the project.

Leaf Malaysia continues to work with the Malaysian Investment Development Authority (MIDA) and the National Innovation Agency (AIM) to identify and secure additional assistance, including the establishment of a taskforce to assist with implementation of the project and coordination of other government agencies, in particular the Technical Depository Agency (TDA). A successful submission to the TDA offers the opportunity of a substantial funding contribution for the project.

In addition to the Company's Malaysian plans, management has progressesd the opportunity with the Queensland State Government, under the Biofutures program, with completion of a pre-feasibility study of a biorefinery in Leaf's home state. Managing Director Alex Baker held positive meetings with the Queensland Minister of State Development, Mr Cameron Dick, while presenting at the BIO World Congress held in Des Moines, Iowa in June.

The Company continues to strengthen its technology portfolio with the granting of Australian patents for the core technology and anticipates new grants in other jurisdictions in the year ahead.

Management changes throughout the year saw Alex Baker join as Managing Director/CEO, following the completion of Ken Richards's tenure. Ken was instrumental in transitioning Leaf from its Australian base to become an emerging global leader in the quickly evolving green chemistry market. The board thanks Ken for his contribution in that role as he continues as a Non-Executive Director.

Leaf Resources continues to strive towards its goals of technology leadership and commercialisation in the year ahead. The board and management is committed to working toward developing a sustainable business that delivers value using its near-term technology commercialisation milestones and development of future strategy.

Thank you for your ongoing interest and your investment in Leaf Resources Limited.

2019 Achievements

Leaf has worked hard through 2019 to achieve:

- Signing of an MOU with PETRONAS Chemicals Group Berhard for biorefinery offtake
- Approval of a manufacturing licence for the Malaysian Biorefinery
- Completion of the phase 3 Glycell™ Integrated Demonstration Study
- Appointing TechnipFMC for the Malaysian project front end engineering study (FEL3)
- Securing an R&D financing package
- Continued positive support from the Malaysian Government
- Granting of patents in Australia to protect the core intellectual property associated with Leaf's Glycell™ biorefinery technology
- Approval of a 10-year tax free incentive for the Malaysian biorefinery
- Completion of a prefeasibility study on a second-generation commercial biorefinery in Queensland
- Signing of a non-binding term sheet for an equity interest in Leaf Malaysia

Technology development

The company is pleased that the first patents have been granted in Australia which protect the core Glycell™ biorefinery technology. The company has over 20 patent applications over four families in varying stages of examination in other jurisdictions including Malaysia, USA and Europe.

The most recent applications filed include novel separation processes utilising simulated bed chromatography (SMB). This intellectual property is developed in collaboration with Amalgamated Research Inc., a US technology partner company that specialises in SMB development.

In addition, Leaf Resources has developed a significant knowledge base regarding the Glycell™ process platform, and the company owns trade secrets and significant know how.

Multiple one and five tonne per day studies have been conducted with over 700 hrs of operating data captured on Malaysian empty fruit bunch (EFB) biomass fibre with material retained for tailored sample preparation and supply.

The Company is continuing to review and expand opportunities to broaden the IP portfolio that complement and broaden the biorefinery package and products.

Project Development

Malaysia

Leaf has received additional and ongoing support from the Malaysian Government for the proposed Glycell™ biorefinery project at Segamat in Johor Province, Malaysia. This support includes the approval of a less developed area tax incentive and the granting of a manufacturing licence that enables the right to manufacture fermentable sugars, glycerol and lignin coming from the project in Malaysia.

Leaf continues to work with the Malaysian Investment Development Authority (MIDA) and the National Innovation Agency (AIM) to identify and secure additional assistance, including the establishment of a taskforce to assist with implementation of the project and coordination of other government agencies, in particular the Technical Depository Agency (TDA). A successful submission to the TDA offers the opportunity of a substantial funding contribution for the project.

Leaf Malaysia Op Co Sdn Bhd (a subsidiary of JV company Leaf Development LLC) has entered a non-binding term sheet with a local Malaysian investor for a 51% equity ownership in Leaf Malaysia. Leaf Malaysia is the project company that has been established to develop the first Glycell™ biorefinery at the Segamat site. This will assist Leaf Malaysia in qualifying for further potential Malaysian Government assistance, including possible funding under the TDA process.

Queensland

Leaf assessed plans to develop a Queensland biorefinery facility in a sugarcane producing region of Queensland with assistance under the Queensland government Biofutures program. The prefeasibility study looked at the biorefinery using Leaf's patented Glycell™ technology to convert sugarcane fibre into sustainable chemicals, biofuels and bioplastics.

There are currently 12 million bone dry tonnes of available biomass produced in Queensland with more than 90% of this material from the sugar cane industry, of which 80% resides in North Queensland. It was found that 94% of mills in the vicinity could provide biomass to Leaf based on biomass figures currently assessed.

Leaf will continue to evaluate the establishment of a biorefinery in the coming year with the view to bring addition technology partners to the proposed project.

Financing

Malaysian project financing

During the year, Leaf has progressed its application to secure "offset financing" through the Malaysian Industrial Collaboration Program that provides funds for deployment on approved projects administered by the Technology Development Authority (TDA). The fund has US$11.2 billion available for purchases over RM50M to create jobs, growth and technology transfer.

The TDA approves a weighting factor for the project. A weighting factor means that companies with obligations to the TDA can discharge them with less investment e.g. a weighting of two will halve their obligation whilst a weighting of four cuts it by 75%.

Leaf has recently announced that the Company has secured a Malaysian partner for a 51% ownership of Leaf Malaysia. The investment has been structured to protect the economic share of the Malaysian project for existing Leaf shareholders. The new local shareholding is another key step required to progress the application of funding via the TDA.

The application which has been made to the TDA, in addition to project capital funding, seeks funding support for pre-construction expenses. A successful outcome will enable Leaf Malaysia to fund the project through to bankable feasibility stage, including the FEL3 study and associated expenses.

The application for funding through the TDA will take approximately three months. A further three months will then be required for the ICP Provider process to engage with an Original Equipment Manufacturer (OEM) with existing obligations through the program to provide funding. Leaf is investigating the possibility of these processes being undertaken concurrently so as to shorten that timeline.

Research and Development Finance

During the year Leaf entered into a loan agreement with Radium Capital (Radium) for the advance payment of funds to be received under the Australian R&D tax incentive. Under this agreement Leaf received a total of $1.805m from Radium with repayment due at the time the Company received its R&D tax incentive from the ATO.

The loan agreement provided non-dilutive funding to the company at this key stage in its development.

Radium Capital provides funding to innovative Australian businesses running successful R&D programs, by providing R&D tax incentive loans in advance of their receipt from the ATO on favourable terms.

Promissory Notes

During the year the Company executed a Note Subscription Agreement with entities associated with directors Douglas Rathbone and Ken Richards for the issue of a total of 2,500 unsecured notes with a face value of $100 each (Notes) totalling $250,000, to fund the Company's immediate needs for additional working capital.

The Notes have a term of three years, with a simple interest rate of 14% per annum payable at the end of the term, unless the Company exercises its rights to repay the capital and accrued interest earlier or is required to do so under the Note terms. The Company may elect, in its discretion, to convert the Notes into fully paid ordinary shares (Shares) instead of repaying the face value and accrued interest.

The terms of the Notes were determined to be on an arm's length basis and were approved by the non-interested directors of the Company.

Fundraising

During August 2018 Leaf completed an oversubscribed placement of 66.6m ordinary shares to sophisticated investors at $0.075 per share.

Funds from the placement were used to progress the ongoing commercialisation of Leaf's proprietary Glycell™ technology, including engineering works for the Malaysian Biorefinery project. The engineering works included a phase 3 integrated development study (IDS), which was completed in February and is integral to progressing the Malaysian biorefinery project through to a planned bankable feasibility study, project financing, and final approvals.

Post year-end, Leaf raised $545,000 through a fully subscribed 1 for 14 rights issue via the issue of 21.8m ordinary shares at an issue price of $0.025.

Proceeds of the rights issue will be used to further progress the Company's strategy of commercialising the Glycell™ process and advancing the development of the first commercial scale biorefinery in Malaysia.

Board & Management

Mr Alex Baker was appointed as Managing Director and Chief Executive Officer effective 1 February 2019. Mr Baker has a long history with Leaf and the Glycell™ process and his ascension to the role of MD/CEO is a natural progression given his technical experience and complementary commercial skills.

Mr Baker returned to Leaf with 25 years' experience across various sectors including technology and biotechnology. He has significant public company experience in addition to Government and private enterprise roles. His expertise across leadership, financial management, stakeholder engagement and business development is key in progressing the Leaf Resources business through further milestones.

In conjunction with this change Mr Ken Richards stepped down from the MD/CEO role as at 1 February 2019, remaining on the board as an Executive Director in a part time capacity working on special projects for Leaf until 30 June 2019. He remains on the Board as a Non-Executive Director.

2020 look forward

The Company's priorities are to formalise the new ownership structure of Leaf Malaysia (involving the 51% Malaysian partner) and to complete submission of the application to qualify the project via the TDA Industrial Collaboration Program (ICP).

With additional funding to hand, the Company will then seek to continue and complete the Front-end Engineering and Design study (FEL3) that will support the Malaysian project investment package.

The Company will continue to engage with potential offtake partners with a view to entering into contractual commitments when the financing program is in place.

The Company will also push ahead with defining a project in Queensland focused on sugarcane fibre residues.

The Board will continue to manage capital in a prudent manner that benefits shareholders and will endeavour to progress the commercialisation of the Glycell™ technology with minimal additional funding from shareholders.

Directors Report

DOUGLAS RATHBONE

Chairman

Doug 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 Leaf Resources 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

Chairman: Appointed 1 April 2018

Member of the Audit Committee: Appointed 1 November 2016

Other current listed directorships: CANN Group Limited

Previous directorships (last 3 years): None

Interests in shares, options and performance rights: 3,436,783 ordinary shares, 3,000,000 unlisted options

ALEX BAKER

Managing Director and Chief Executive Officer

Alex Baker is an experienced executive with over 25 years in the life science, biopharmaceutical and industrial biotechnology fields leading product innovation and commercialisation, business development and executive management. He is the Managing Director of Leaf Resources, having prior executive experience in a range of companies including listed Australian stock exchange (ASX) groups including being a team member for one of Australia's largest IPO's in the biotech/specialty pharma sector. Alex holds a Master of Technology Management, Graduate Diploma in Biotechnology and a Bachelor of Science and is a member of the Australian Institute of Company Directors.

Non-Executive Director Appointed 1 February 2018

Member of the Audit Committee Appointed 1 February 2018

Other current listed directorships: None

Previous directorships (last 3 years): None

Interests in shares, options and performance rights: 3,680,173 ordinary shares, 2,500,000 unlisted options

KEN RICHARDS
Executive Director

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) which he and the Leaf team have grown from a $2M market capitalization to a $7M Company and one with imminent commercial opportunities across multiple continents.

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.

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

Executive Director: Appointed 31 August 2007

Other current listed directorships: None

Previous directorships (last 3 years): Dubber Corporation Ltd (June 2007 to March 2017)

Interests in shares, options and performance rights: 17,435,252 ordinary shares, 972,599 performance rights, 1,500,000 unlisted options

MATTHEW MORGAN
Non-Executive Director

Matthew Morgan is the Principal of Millers Point Company, an advisory business that provides consulting and advisory services to emerging companies with high growth or turnaround objectives. He is a former venture capitalist at QIC and is experienced in capital raisings, mergers and acquisitions and has held executive positions in a variety of private equity funded organisations.

He was a co-founder of Diversa Ltd (ASX: DVA) a financial service business acquired by OneVue Holdings Ltd (ASX: OVH) and is currently a non-executive director of ASX listed company Sensera Limited (ASX: LER) and a non-executive director at Brain Resource Limited (ASX: BRC). He Chairs the Audit and Risk Committee for both Companies.

Matthew holds a B.Commerce, B. AppSc and an MBA from the Queensland University of Technology. He was also the first Australian to be awarded a Kauffman Fellowship.

Non-Executive Director: Appointed 21 July 2014

Chair of the Audit Committee: Appointed 11 August 2014

Other current listed directorships: Sensera Limited (appointed 6 July 2016), Brain Resource Limited (appointed 1 March 2016)

Previous directorships (last 3 years): Diversa Ltd (Aug 2008 - Sep 2016), Bluechip Ltd (Feb 2014 - Mar 2016)

Interests in shares, options and performance rights: 1,586,539 ordinary shares, 800,000 unlisted options

WILLIAM BAUM
Non-Executive Director

William Baum has been an independent consultant in the bio based chemicals and fuels industry, since 2014. From 2010 to early 2014, Bill was Executive Chairman and Chief BD Officer at Genomatica, where he negotiated and closed major partner and licensing deals. He served on the Genomatica Board, 2006-2016. He has held a variety of executive positions both in the United States and internationally, serving the oil refining, petrochemicals and pulp & paper and chemicals industries.

Bill continues to be engaged as a business strategy and deal transaction consultant with a number of renewable and sustainable companies working in biofuels, bio based chemicals, agbiotech/biomass and human/animal nutrition. Bill serves as a board director at Gevo Inc., a publicly traded biofuels company based in Colorado; Arzeda, Inc., a computational systems biology company in Seattle, Washington; and Watt Companies, a commercial real estate company, in Santa Monica, California. Bill holds a B.S. in Chemistry from Widener University.

Non-Executive Director Appointed 16 June 2017

Member of the Audit Committee Appointed 16 June 2017

Other current listed directorships: Gevo Inc., renewable fuels; Arzeda Inc., computational biology; and Watt Companies, commercial real estate

Previous directorships (last 3 years): Genomatica, ZeaChem

Interests in shares, options and performance rights: 800,000 unlisted options

TIM PRITCHARD
Company Secretary

Tim Pritchard joined Leaf Resources in 2017 as Chief Financial Officer and Company Secretary. Mr. Pritchard has over 20 years management experience in finance, accounting, consulting, project management and information technology. In addition to extensive accounting experience, he has led a number of successful business transformation and system implementation assignments that have resulted in significantly improved financial processes and business systems.

Before joining Leaf Resources, Mr. Pritchard was most recently engaged as the Chief Financial Officer and Company Secretary of ReNu Energy, an ASX listed renewable energy company.

Principal activities

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

- The technical and commercial development of the Group's Glycell™ process including:
    - Investigating and implementing development and technical improvements to the process;
    - Establishing process data on the Malaysian project biomass, empty fruit bunch (EFB) via an intensive trial program;
    - With Leaf Malaysia OpCo Sdn Bhd, develop a tender package for engaging an engineering firm for the Malaysian project FEL 3 study;
    - Assessing potential commercial products and offtake markets for the C6 sugars, C5 sugars, lignin and glycerol produced from the Glycell™ process.
- Actively engaging with Malaysian government and other parties on a potential biorefinery using the GlycellTM process in Malaysia;
- Assessing a potential biorefinery project in Queensland with competitive funding assistance from the QLD government BioFutures programme and based on the study results progress the project definition.
- The management of the Group's intellectual property and patent portfolio.

Chairman/CEO report and financial results

- Information on the operations of the group and its business strategies and prospects is set out in the Chairman/CEO report and activities on pages 3-6 of this annual report.
- The Group's operating loss after the R&D income tax refund for the year ended 30 June 2019 amounted to $6,778,388 (30 June 2018: $4,385,972 loss).

Significant changes in the state of affairs

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

Issued capital increased by $4,621,057 (from $51,128,466 to $55,749,498) as the result of placements to sophisticated investors as part of the capital raising program.

During the year the company issued 1,500,000 options to the previous Managing Director pursuant to shareholder approval at the Extraordinary General Meeting on 14 September 2018 and 2,500,000 options to the current Managing Director pursuant to shareholder approval at the Annual General Meeting on 20 November 2018.

Events arising since the end of the reporting period

Since the end of the reporting period, the Company has conducted a rights issue at an issue price of $0.025 per share to raise approximately $500,000.

Agreement has been reached with Bioprocess Pilot Facility in Delft as to the final amounts due for the completion of the Integrated Design Study completed earlier in the calendar year. These amounts have been reflected in the accounts.

A company has been engaged to produce sugar samples from the outputs of the Integrated Design Study in the Netherlands. This process will commence once funding has been received for this purpose from the Malaysian Project.

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 2019.

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 2019 and the number of meetings attended by each Director / member were:

DIRECTOR'S NAME	BOARD MEETINGS		AUDIT & RISK COMMITTEE		REMUNERATION COMMITTEE	
	A	B	A	B	A	B
DOUG RATHBONE	8	7	2	2	1	1
KEN RICHARDS	8	8	N/A	N/A	N/A	N/A
MATT MORGAN	9	9	2	2	1	1
BILL BAUM	9	7	2	1	1	1
ALEX BAKER	9	9	2	2	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 Leaf Resources Limited ('the Group') present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*.

The Remuneration Report is set out under the following main headings:
a. Principles used to determine the nature and amount of remuneration
b. Details of remuneration
c. Service agreements
d. Share-based remuneration
e. Bonuses included in remuneration
f. Other information

(a) Principles used to determine the nature and amount of remuneration

A distinction is made between the structure of remuneration for non-executive directors and executives. The objectives of the executive remuneration policy are:

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

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

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

Executive remuneration packages

It is intended that base salaries take into account market relativities, having regard to the need for the Company to attract, motivate and retain executives. The Board decides the remuneration based on recent market conditions and executive's direct accountability and responsibility for the operational management, strategic direction and decision-making for the Company and demonstrated leadership. There is no guaranteed base pay increases included in any executive's contract and the payment of bonuses is reviewed by the Remuneration Committee for approval against performance criteria.
The remuneration structure that has been adopted by the Group consists of the following components:

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

The Company has performance conditions linked to the executive's short term incentives and this involves the use of annual performance objectives, performance appraisals and an emphasis on the contribution to the team and values. The criteria are set annually after consultation with the Remuneration Committee and executives and are specifically tailored to the areas where each executive has a level of control and focus on where the board believe the greatest potential for expansion and execution of the business strategies. Given the stage of development of the company, the key performance indicators focus on non-financial measures and funding measures including strategic goals and technology development.
The Company has market based performance conditions linked to the executive's medium to long term incentives. The criteria are set annually by the Remuneration Committee. Medium to long term incentives are paid through the Leaf Performance Rights Plan, 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 a service agreement with the company. This summarises the board policies and terms, including pre-determined fixed remuneration and superannuation benefits relevant to the office of director. Non-executive directors' fees are reviewed annually by the board. The board surveys comparable remuneration levels in the external market and makes sure that fees and payments paid reflect the demands that are made and the responsibilities of directors. No retirement benefits accrue, and the company does not pay directors additional fees for chairing board committees.

Shares granted

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

Voting and comments made at the Company's 2018 Annual General Meeting

The company received 98.69% of "yes" votes on its remuneration report for the 2018 financial year. The company did not receive any specific feedback at the annual general meeting on its remuneration report.

Use of remuneration consultants

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

	2019	2018	2017	2016	2015
EPS (cents)	(2.34)	(2.01)	(4.32)	(2.07)	(1.80)
Dividends (cents/share)	-	-	-	-	-
Net profit/(loss) ($)	(6,778,388)	(4,385,972)	(7,219,515)	(2,606,254)	(1,913,485)
Share price ($)	0.03	0.08	0.11	0.115	0.16

(b) Other information

		Short term employee benefits	Post-employment benefits	Long Term	Termination benefits	Share based payment					Performance based percentage of remuneration
Employee	Year	Cash salary and fees	Cash bonus[J]	Super-annulation	Long service leave	Termination payments	Shares	Options	Performance Rights	Total	
Executive Director											
Alex Baker[A]	**2019**	**160,403**	**-**	**6,916**	**-**	**-**	**-**	**8,118[B]**	**6,930[C]**	**182,367**	**8%**
	2018	133,887	-	12,218	-	-	-	-	29,726[D]	175,831	17%
Ken Richards[E]	**2019**	**266,667**	**24,657**	**27,676**	**-**	**-**	**-**	**14,646[B]**	**11,810[F]**	**345,456**	**15%**
	2018	325,400	-	25,000	-	-	-	-	47,201[G]	397,601	12%
Non-Executive Directors											
Doug Rathbone	**2019**	**109,059**	**-**	**6,941**	**-**	**-**	**-**	**-**	**-**	**116,000**	**0%**
	2018	162,011[H]	-	4,989	-	-	-	-	-	167,000	0%
Matthew Morgan	**2019**	**50,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**50,000**	**0%**
	2018	50,000	-	-	-	-	-	-	-	50,000	0%
Bill Baum	**2019**	**50,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**50,000**	**0%**
	2018	52,083	-	-	-	-	-	-	-	52,083	0%
Jay Hetzel[I]	**2019**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0%**
	2018	54,795	-	5,206	-	-	-	-	-	60,001	0%
Other Key Management Personnel											
Jason Lowry	**2019**	**163,553**	**13,699**	**16,484**	**-**	**-**	**-**	**13,219**	**-**	**206,955**	**14%**
	2018	66,567	-	2,524	-	-	-	818	-	69,909	1%
Tim Pritchard	**2019**	**161,339**	**15,982**	**16,846**	**-**	**-**	**-**	**10,945**	**2,020**	**207,132**	**15%**
	2018	75,065	-	7,274	-	-	-	695	3,140	86,174	4%
2019 Total		**961,021**	**54,338**	**74,863**	**-**	**-**	**-**	**46,928**	**20,760**	**1,157,910**	
2018 Total		919,808	-	57,211	-	-	-	1,513	80,067	1,058,599	

A. Mr Alex Baker resigned from his position as Chief Operating Officer on 31 December 2017. He was appointed as a Director on 1 February 2018. He was employed as Chief Executive Officer and Managing Director on 1 February 2019.

B. At the Company's annual general meeting held on 20 November 2018, shareholders approved the issue of 2,500,000 options as an incentive for the current managing director ($8,118). The options were issued on 20 December 2018. At the Company's extraordinary general meeting on 14 September 2018, shareholders approved the issue of 1,500,000 options as an incentive for the previous managing director ($14,646). The options were issued on 14 September 2018.

C. The value of performance rights granted during the 2016, 2017 and 2018 financial years and expensed during the current financial year has been recognised ($6,930). Cost of performance rights related to rights issued during Mr Baker's tenure as an employee.

D. The value of performance rights granted during the 2016 and 2017 2018 financial years and expensed during the 2018 financial year were recognised ($29,726). Cost of performance rights related to rights issued during Mr Baker's tenure as an employee.

E. Mr Richards resigned from his position as Chief Executive Officer and Managing Director on 1 February 2019, remaining on the board as an Executive Director in a part time capacity working on special projects.

F. The value of performance rights granted during the 2016, 2017 and 2018 financial years and expensed during the current financial year has been recognised ($8,118).

G. At the Company's annual general meeting held on 30 October 2017, shareholders approved the issue of 1,255,056 performance rights to Ken Richards being:
   - in lieu of payment of 2016/2017 short-term incentive bonus ($16,949) (194,819 Rights), issued in November 2017 and vested on 30 June 2018;
   - as part of the Company's long-term incentive program 2017/2018 ($4,809) (1,060,237 Rights). These performance rights lapsed on 1 July 2018 due to the performance condition not being met.

   In addition, the value of performance rights granted during the 2016 and 2017 financial years and expensed during the current financial year has been recognised ($25,443)

   * The performance rights granted as part of the Company's long-term incentive program were valued using the Monte Carlo simulation method.

H. In addition to the services provided by Mr Rathbone as a director, the company has engaged Mr Rathbone in an advisory and consulting capacity. Under the terms of this agreement Mr Rathbone is paid a monthly retainer of $3,000 + GST. Under the terms of the agreement Mr Rathbone is entitled to a 3% fee on funds invested where a strategic partner or investor is introduced. Mr Rathbone was paid a fee of $75,000 during the 2018 year for the introduction of a strategic investor.

I. Mr Jay Hetzel resigned as Chairman on 31 March 2018.

J. All cash bonus were related to performance for the year ended 30 June 2018 and were based on the achievement of Board approved key performance indicators. All bonuses were reinvested into the company via the placement conducted in August 2018.

K. Mr Jason Lowry resigned on 28 February 2019.

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

	Fixed remuneration	At risk Short-Term Incentives (STI)
Executive Directors		
Alex Baker	100%	-
Ken Richards	93%	7%
Non Executive Directors		
Doug Rathbone	100%	-
Matt Morgan	100%	-
Bill Baum	100%	-
Other Key Management Personnel		
Jason Lowry	93%	7%
Tim Pritchard	93%	7%

The only at-risk component of remuneration for the year ended 30 June 2019 was the cash bonus. All cash bonuses were related to performance for the year ended 30 June 2018 and were based on the achievement of Board approved key performance indicators. All bonuses were reinvested into the company via the placement conducted in August 2018. No bonuses have been accrued for the year ended 30 June 2019.

(c) Service agreements

Remuneration and other terms of employment for the Executive Director and other Key Management Personnel are formalised in a Service Agreement. The major provisions of the agreements relating to remuneration are set out below:

Name	Base salary including superannuation*	Term of agreement	Notice period	Termination payments**
A Baker	350,400	No fixed term	Six months	Six months
K Richards	350,400	No fixed term	Six months	Six months
J Lowry	240,000	No fixed term	Three months	Three months
T Pritchard	200,000	No fixed term	One month	One month

*Base salaries quoted are for the year ended 30 June 2019 and are shown on a full time equivalent basis; they are reviewed annually by the board.

**Base salary payable if the company terminates in lieu of notice or for a period less than the notice period.

(d) Share-based remuneration

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

Grant date	Vesting date	Expiry date	Exercise price	Value[C]	% Vested
Options					
12-Dec-2018[A]	1-Feb-2020	1-Feb-2024	$0.25	$0.008	0%
	1-Feb-2021	1-Feb-2024	$0.25	$0.008	0%
	1-Feb-2022	1-Feb-2024	$0.25	$0.008	0%
12-Dec-2018[A]	1-Feb-2020	1-Feb-2024	$0.15	$0.013	0%
	1-Feb-2021	1-Feb-2024	$0.15	$0.013	0%
	1-Feb-2022	1-Feb-2024	$0.15	$0.013	0%
14-Sep-2018[A]	14-Sep-2019	14-Sep-2023	$0.15	$0.020	0%
	14-Sep-2020	14-Sep-2023	$0.15	$0.020	0%
	14-Sep-2021	14-Sep-2023	$0.15	$0.020	0%
22-May-2018[A]	22-May-2019	22-May-2023	$0.15	$0.022	100%
	22-May-2020	22-May-2023	$0.15	$0.022	0%
	22-May-2021	22-May-2023	$0.15	$0.022	0%
22-May-2018[A]	19-Mar-2019	19-Mar-2023	$0.15	$0.022	100%
	19-Mar-2020	19-Mar-2023	$0.15	$0.022	0%
	19-Mar-2021	19-Mar-2023	$0.15	$0.022	0%
16-Jun-2017	03-Jul-2017	03-Jul-2022	$0.22	$0.058	100%
23-Dec-2016	23-Dec-2016	23-Dec-2021	$0.22	$0.064	100%
23-Dec-2016	23-Dec-2016	23-Dec-2021	$0.145	$0.079	100%

Grant date	Vesting date	Expiry date	Exercise price	Value[C]	% Vested
Performance Rights					
01-Dec-2017[B,D]	01-Dec-2018	01-Dec-2022	$nil	$0.022	0%
	01-Dec-2019	01-Dec-2022	$nil	$0.022	0%
	01-Dec-2020	01-Dec-2022	$nil	$0.022	0%
27-Nov-2017[B,D]	01-Jul-2018	27-Nov-2022	$nil	$0.009	0%
	01-Jul-2019	27-Nov-2022	$nil	$0.009	0%
	01-Jul-2020	27-Nov-2022	$nil	$0.009	0%
27-Nov-2017	01-Jul-2018	27-Nov-2022	$nil	$0.087	100%
01-Dec-2016	01-Jul-2017	01-Dec-2021	$nil	$0.16	100%
11-Jan 2016	01-Jul-2016	11-Jan-2021	$nil	$0.15	100%

A. Option grants with multiple vesting dates occurred over three tranches with 1/3 vesting 12 months from grant date, 1/3 vesting 24 months from the grant date and the balance 36 months from grant date.
B. Performance rights granted with multiple vesting dates will occur over three tranches, subject to specified performance criteria being met, with 1/3 vesting 12 months from grant date, 1/3 vesting 24 months from grant date and the balance 36 months from grant date.
C. Value per option or performance right at grant date.
D. Performance conditions were not met and performance rights have not vested.

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

The non-executive directors' options have vested immediately and the executives' options will vest subject to continued employment until the end of the arranged vesting period. Upon vesting, each option allows the holder to purchase one ordinary share at 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.

Mr Alex Baker was granted options under the Company's long term incentive (LTI) plan. The vesting terms of the options are:

In relation to the 1,500,000 options with an exercise price of $0.15,

- 500,000 options – 12 months after the Commencement Date;
- 500,000 options – 24 months after the Commencement Date; and
- 500,000 options – 36 months after the Commencement Date.

In relation to the 1,000,000 options with an exercise price of $0.25,

- 333,333 options – 12 months after the Commencement Date;
- 333,333 options – 24 months after the Commencement Date; and
- 333,334 options – 36 months after the Commencement Date.

Mr Ken Richards was granted options under the Company's long term incentive (LTI) plan. The vesting terms of the options are:

1,500,000 options with an exercise price of $0.15,

- 500,000 options – 12 months after the Issue Date;
- 500,000 options – 24 months after the Issue Date; and
- 500,000 options – 36 months after the Issue Date.

Name	Number Granted	Grant Date	Value[A]	Number Vested	Year May Vest
J Hetzel	1,200,000 options	23 Dec 2016[C]	$76,349	1,200,000	Vested
M Morgan	800,000 options	23 Dec 2016[C]	$50,899	800,000	Vested
D Rathbone	3,000,000 options	23 Dec 2016 [C]	$235,526	3,000,000	Vested
W Baum	800,000 options	16 Jun 2017[D]	$46,543	800,000	Vested
K Richards	777,780 rights 194,819 rights 1,500,000 options	11 Jan 2016[B] 27 Nov 2017[E] 14 Sep 2018[F]	$116,667 $16,949 $30,286	777,780 194,819 Nil	Vested Vested 14 Sep 2019
A Baker	2,500,000 options	20 Dec 2018[G]	$27,450	Nil	1 Feb 2020
T Pritchard	850,000 options	22 May 2018[H]	$19,029	283,333	Vested

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 2019 is included in the remuneration tables above. Fair values of options at grant date are determined using The Hull-White option pricing model that takes into account various input assumptions. Fair values of performance rights with market based performance conditions at grant date are determined using Monte Carto simulation method. Details of the inputs are disclosed in Note 26.

B. Performance rights granted to the managing director and approved by shareholders at the annual general meeting held on 25th November 2015. In accordance with that resolution, the performance rights have been valued at the closing share price on 30 September 2015.

C. Options issued to directors of the company and approved by shareholders at a general meeting on 15 December 2016.

D. Options issued to a director of the company and approved by shareholders at an extraordinary general meeting on 16 June 2017.

E. Performance rights granted to the manager and approved by shareholders at a general meeting on 30 October 2017.

F. Options issued to K Richards and approved by shareholders at an extraordinary general meeting on 14 September 2018

G. Options issued to the managing director and approved by shareholders at a general meeting on 20 November 2018.

H. Options issued to the employee under the Employee Share Option Plan.

(e) Bonuses included in remuneration

For each cash bonus and grant of securities included in the remuneration table, the percentage of the available bonus or grant that was paid, or that vested in the financial year, and the percentage that was forfeited because the service and performance criteria was not met is set out below. Bonuses vest after the end of the financial year to which they relate. Short term incentive bonuses are paid in cash or by issuing performance rights to employees as incentives during the year. Long term incentive bonuses are granted as performance rights which vest after the end of the financial year or as options one third of which vest after each 12 months after grant date. At the date of this report, no short-term incentive bonuses in respect of the 2019 financial year had been set by the Board.

Name	Year	Percentage vested in year	Percentage forfeited in year	% in Cash	% as share based payment	Number of Securities
Alex Baker - performance criteria	**2019**	**Nil%**	**Nil%**	**Nil%**	**100%**	**2,500,000 options[A]**
	2018	**100%**	**Nil%**	**Nil%**	**100%**	**102,843 performance rights[B]**
K Richards – performance criteria	**2019**	**Nil%**	**Nil%**	**Nil%**	**Nil%**	**1,500,000 options[C]**
	2018	**18%**	**Nil%**	**Nil%**	**100%**	**1,255,056 performance rights[D]**
J Lowry - performance criteria	**2019**	**Nil%**	**Nil%**	**Nil%**	**Nil%**	**Nil**
	2018	**Nil%**	**Nil%**	**Nil%**	**100%**	**1,000,000 options**
T Pritchard - performance criteria	**2019**	**Nil%**	**Nil%**	**Nil%**	**Nil%**	**Nil**
	2018	**Nil%**	**Nil%**	**Nil%**	**100%**	**265,060[E] performance rights and 850,000 options**

A. The options were issued to Mr Baker in accordance with the terms approved by shareholders at the Annual General Meeting on 20 November 2018.

B. The performance rights vested upon the resignation of Mr. Baker and were exercised within 30 days in accordance with the terms of the Performance Rights Plan.

C. The options were issued to Mr Richards in accordance with the terms approved by shareholders as the Extraordinary General Meeting on 14 September 2018.

D. The performance rights relate to both STI and LTI. The LTI component of 1,060,237 performance rights lapsed on 1 July 2018.

E. The performance rights relate to LTI. On 1 July 2018 these performance rights lapsed.

(f) Other information

Movement during period	Balance 01-07-18	Granted as Compensation	Number Exercised	Number Lapsed	Balance 30-06-19
Year ended 30 June 2019					
Options					
D Rathbone	3,000,000	-	-	-	3,000,000
M Morgan	1,175,000	-	-	(375,000)	800,000
W Baum	800,000	-	-	-	800,000
A Baker	-	2,500,000	-	-	2,500,000
J Hetzel	1,200,000	-	-	-	1,200,000
K Richards	-	1,500,000	-	-	1,500,000
J Lowry	1,000,000	-	-	(666,667)	333,333
T Pritchard	850,000	-	-	-	850,000
Sub-Total	**8,025,000**	**4,000,000**	**-**	**(1,041,667)**	**10,983,333**
Performance Rights					
K Richard	2,032,836	-	-	(1,060,237)	972,599
A Baker	-	-	-	-	-
T Pritchard	265,060	-	-	(265,060)	-
Sub-Total	**2,297,896**	**-**	**-**	**(1,325,297)**	**972,599**
Total	**10,322,896**	**4,000,000**	**-**	**(2,366,964)**	**11,955,932**

Movement during period	Balance 01-07-17	Granted as Compensation	Number Exercised	Number Lapsed	Balance 30-06-18
Year ended 30 June 2018					
Options					
D Rathbone	3,000,000	-	-	-	3,000,000
M Morgan	1,175,000	-	-	-	1,175,000
W Baum	800,000	-	-	-	800,000
A Baker	-	-	-	-	-
J Hetzel	1,950,000	-	(250,000)	(500,000)	1,200,000
K Richards	1,500,000	-	(1,500,000)	-	-
J Lowry	-	1,000,000	-	-	1,000,000
T Pritchard	-	850,000	-	-	850,000
Sub-Total	**8,425,000**	**1,850,000**	**(1,750,000)**	**(500,000)**	**8,025,000**
Performance Rights					
K Richard	1,686,870	1,255,056	-	(909,090)	2,032,836
A Baker	1,292,207	102,843	(667,778)	(727,272)	-
T Pritchard	-	265,060	-	-	265,060
Sub-Total	**2,979,077**	**1,622,959**	**(667,778)**	**(1,636,362)**	**2,297,896**
Total	**11,404,077**	**3,472,959**	**(2,417,778)**	**(2,136,362)**	**10,322,896**

Number held at balance date	Balance 30-06-19	Total vested 30-06-19	Total Exercisable 30-06-19	Net change other or forfeited	Total Un-Exercisable 30-06-19
Year ended 30 June 2019					
Options					
M Morgan	800,000	800,000	800,000	-	-
D Rathbone	3,000,000	3,000,000	3,000,000	-	-
W Baum	800,000	800,000	800,000	-	-
J Hetzel	1,200,000	1,200,000	1,200,000	-	-
A Baker	2,500,000	-	-	-	2,500,000
K Richards	1,500,000	-	-	-	1,500,000
J Lowry	333,333	333,333	333,333	-	-
T Pritchard	850,000	283,333	283,333	-	566,667
Sub-Total	**10,983,333**	**6,416,666**	**6,083,333**	**-**	**4,566,667**
Performance Rights					
K Richards	972,599	972,599	972,599	-	-
T Pritchard	-	-	-	-	-
Sub-Total	**972,599**	**972,599**	**972,599**	**-**	**-**
Total	**11,955,932**	**7,389,265**	**7,055,932**	**-**	**4,566,667**

Number held at balance date					
	Balance 30-06-18	**Total vested 30-06-18**	**Total Exercisable 30-06-18**	**Net change other or forfeited**	**Total Un-Exercisable 30-06-18**
Year ended 30 June 2018					
Options					
M Morgan	1,175,000	1,175,000	1,175,000	-	-
D Rathbone	3,000,000	3,000,000	3,000,000	-	-
W Baum	800,000	800,000	800,000	-	-
J Hetzel	1,200,000	1,200,000	1,200,000	-	-
K Richards	-	-	-	-	-
J Lowry	1,000,000	-	-	-	1,000,000
T Pritchard	850,000	-	-	-	850,000
Sub-Total	**8,025,000**	**6,175,000**	**6,175,000**	**-**	**1,850,000**
Performance Rights					
K Richards	2,032,836	777,780	777,780	-	1,255,056
T Pritchard	265,060	-	-	-	265,060
Sub-Total	**2,297,896**	**777,780**	**777,780**	**-**	**1,520,116**
Total	**10,322,896**	**6,952,780**	**6,952,780**	**-**	**3,370,116**

Shares held by Key Management Personnel

The number of ordinary shares in the Company during the 2019 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out below:

	Balance 30-06-18	**Shares issued in lieu of cash remuneration foregone**	**Received on Exercise**	**Other Changes**	**Held at 30/06/19**
M Morgan	1,453,206	-	-	133,333	1,586,539
D Rathbone	2,103,449	-	-	1,333,334	3,436,783
W Baum	-	-	-	-	-
J Hetzel	4,462,923	-	-	-	4,462,923
A Baker	3,546,840	-	-	133,333	3,680,173
K Richards	16,101,919	-	-	1,333,333	17,435,252
J Lowry	806,374	-	-	133,334	939,708
T Pritchard	-	-	-	133,334	133,334
Total	**27,874,711**	**-**	**-**	**3,200,001**	**31,074,712**

Shares Under Option

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

Date granted	Expiry date	Exercise price of shares	Number and type
20 December 2018	1 February 2024	$0.25	1,000,000 options
20 December 2018	1 February 2024	$0.15	1,500,000 options
14 September 2018	14 September 2023	$0.15	1,500,000 options
4 October 2018	20 September 2020	$0.11	4,937,597 options
4 October 2018	20 September 2019	$0.09	4,937,597 options
22 May 2018	22 May 2023	$0.15	2,350,000 options
27 November 2017	27 November 2022	$nil	194,819 rights
16 June 2017	3 July 2022	$0.22	800,000 options
23 December 2016	23 December 2021	$0.22	2,000,000 options
23 December 2016	23 December 2021	$0.145	3,000,000 options
1 December 2016	1 December 2021	$nil	31,818 rights
1 August 2016	1 August 2021	$0.1375	1,557,052 options[A]
11 January 2016	11 January 2021	$nil	777,780 rights

A. At the reporting date 519,017 of these options had not vested.

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

End of audited remuneration report.

Indemnification of officers

During the financial year, Leaf Resources agreed to indemnify each director and secretary of the company and of its subsidiaries against any liability:

(a) to a party other than Leaf Resources or a related body corporate, but only to the extent that the liability arises out of conduct in good faith, and

(b) for legal costs incurred in connection with proceedings in respect of a liability incurred by them.

The amount payable under the agreement is the full amount of the liability. No liability has arisen under these indemnities as at the date of this report.

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

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

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

Non-audit services

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

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

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

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

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

	2019 $	2018 $
Audit and review of financial statements - Grant Thornton	**54,163**	**52,493**
Taxation compliance services – Grant Thornton	**22,699**	**5,500**
Total auditor's remuneration	**76,862**	**57,993**

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 23 of this financial report and forms part of this Directors' Report.

Proceedings on behalf of the Company

No person has applied to the Court under 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

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

Directors' authorisation

Signed in accordance with a resolution of the Directors.

Doug Rathbone

Chairman
Brisbane, Queensland, Australia
30 September 2019

Alex Baker

Managing director
Brisbane, Queensland, Australia
30 September 2019

Level 18, 145 Ann St
Brisbane QLD 4000

Correspondence to:
GPO Box 1008
Brisbane QLD 4001

T +61 7 3222 0200
F +61 7 3222 0444
E info.qld@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of Leaf Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Leaf Resources Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M S Bell
Partner – Audit & Assurance

Brisbane, 30 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	2019 $	2018 $
Other income	6	3,246,269	958,207
Mining lease expenses		(5,024)	(5,308)
Depreciation, amortisation and impairment	7	(1,601,036)	(8,578)
Employee benefits expense	7	(1,055,326)	(1,070,658)
Directors' & officers' fees & CEO		(650,315)	(730,092)
Business operation		(124,446)	(156,000)
Finance expense		(251,971)	9,801
Professional fees		(607,043)	(124,486)
Investor relations & corporate advisory		(245,807)	(307,943)
Travel and accommodation		(492,296)	(277,197)
Research and development		(3,362,746)	(1,330,574)
Patent and licence fees		(135,705)	(26,152)
Share of loss of equity accounted associate		(1,477,493)	(1,247,096)
Other expenses		(15,449)	(69,896)
Loss before income tax		**(6,778,388)**	**(4,385,972)**
Income tax expense		-	-
Loss for the year from continuing operations		**(6,778,388)**	**(4,385,972)**
Loss from discontinued operations		**-**	**-**
Loss for the year		**(6,778,388)**	**(4,385,972)**
Other comprehensive income for the year, net of tax		**-**	**-**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		81,866	(8,238)
Income tax on items that may be reclassified to profit or loss	8	-	-
Other comprehensive income for the year, net of tax		**81,866**	**(8,238)**
Total comprehensive loss for the year		**(6,696,522)**	**(4,394,210)**

Earnings per share from continuing operations			
Basic loss per share (cents)	11	(2.34)	(2.01)
Diluted loss per share (cents)	11	(2.34)	(2.01)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	2019 $	2018 $
Current Assets			
Cash and cash equivalents	12, 25(a)	293,601	558,052
Trade and other receivables	13	2,902,215	1,015,697
Total Current Assets		**3,195,816**	**1,573,749**
Non-Current Assets			
Investments accounted for using the equity method	14	-	368,462
Property, plant and equipment	15	28,511	811,574
Intangible assets	16	-	-
Total Non-Current Assets		**28,511**	**1,180,036**
Total Assets		**3,224,327**	**2,753,785**
Current Liabilities			
Trade and other payables	17	1,289,665	1,178,515
R&D Financing Payable	18	1,905,722	-
Promissory Notes Payable	19	259,107	-
Employee benefits	20	304,688	120,693
Provisions	21	50,000	50,000
Total Current Liabilities		**3,809,182**	**1,349,208**
Non-Current Liabilities			
Employee benefits	20	**753**	**34,390**
Total Non-Current Liabilities		**753**	**34,390**
Total Liabilities		**3,809,935**	**1,383,598**
Net Assets		**(585,608)**	**1,370,187**
Equity			
Issued capital	22	55,749,498	51,128,441
Reserves	23	922,969	1,163,367
Accumulated losses	24	(57,258,075)	(50,921,621)
Total Equity		**(585,608)**	**1,370,187**

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 2019

					Attributable to equity holders of the parent
	Issued Capital $	Accumulated Losses $	Share Based Payment Reserve $	Foreign Currency Translation Reserve $	Total Equity $
Balance at 1 July 2017	**46,360,004**	**(46,543,589)**	**1,094,099**	**(48,953)**	**861,561**
Loss for the year ended 30 June 2018	-	(4,385,972)	-	-	(4,385,972)
Other comprehensive income	-	-	-	(8,238)	(8,238)
Total comprehensive loss for the year	**-**	**(4,385,972)**	**-**	**(8,238)**	**(4,394,210)**
Transactions with owners in their capacity as owners					
Shares issued	4,912,383	-	-	-	4,912,383
Share issue transactions costs	(143,946)	-	-	-	(143,946)
Share based payments	-	7,940	126,459	-	134,399
Balance at 30 June 2018	**51,128,441**	**(50,921,621)**	**1,220,558**	**(57,191)**	**1,370,187**
Balance at 1 July 2018	**51,128,441**	**(50,921,621)**	**1,220,558**	**(57,191)**	**1,370,187**
Loss for the year ended 30 June 2019	-	(6,778,388)	-	-	(6,778,388)
Other comprehensive income	-		-	81,866	81,866
Total comprehensive loss for the year	-	**(6,778,388)**	**-**	**81,866**	**(6,696,522)**
Transactions with owners in their capacity as owners					
Shares issued	4,966,000	-	-	-	4,966,000
Share issue transactions costs	(344,943)	-	55,498	-	(289,445)
Share based payments	-	-	64,172	-	64,172
Cost of share based payments - lapsed options and rights	-	441,934	(441,934)	-	-
As at 30 June 2019	**55,749,498**	**(57,258,075)**	**898,294**	**24,675**	**(585,608)**

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 2019

	Notes	2019 $	2018 $
Operating activities			
Receipts from customers		353,655	2,990
Payments to suppliers & employees		(6,583,852)	(3,346,343)
Interest received		544	6,494
R&D tax incentive refund		961,192	645,813
Net cash from operating activities	**25(b)**	**(5,268,461)**	**(2,691,046)**
Investing activities			
Payments for investment in equity accounted joint venture		(1,027,165)	(1,537,554)
Purchase of property, plant and equipment		(700,380)	(521,494)
Net cash from investing activities		**(1,727,545)**	**(2,059,048)**
Financing activities			
Proceeds from issue of share capital		4,966,000	4,878,365
Share issue transaction costs		(289,445)	(143,946)
Proceeds from borrowings		2,055,000	-
Net cash from / (used in) financing activities		**6,731,555**	**4,734,419**
Net (decrease)/increase in cash and cash equivalents		(264,451)	(15,675)
Cash and cash equivalents at the beginning of the financial year		558,052	573,727
Cash and cash equivalents at the end of the financial year	25(a)	**293,601**	**558,052**

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

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of operations

Leaf Resources Limited and Subsidiaries' (the Group) principal activities include the commercial development of the Group's Glycell™ process and management of the Group's intellectual property and patent portfolio. The Group is engaged in a joint venture, Leaf Development, LLC to develop renewable chemical projects.

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). Leaf Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

Leaf Resources Limited is the Group's Ultimate Parent Company. Leaf Resources Limited is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Suite 3, 1 Westlink Court, Darra, Queensland 4076, Australia.

The consolidated financial statements for the year ended 30 June 2019 were approved and authorised for issue by the Board of Directors on 28 August 2019.

3. Going Concern

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

The Group has significantly progressed the commercialisation objectives for its lead proprietary technology and is ready to pursue these objectives towards priority project geographies. The integrated demonstration study (IDS) was a study completed by Leaf in the beginning of 2019 at the BioProcess Pilot Facility in the Netherlands showing each process unit operation working as a whole using Malaysian project biomass. The completion of the IDS has positioned the company with respect to Malaysian biomass, empty fruit bunch (EFB), progressing to the FEL3 study and towards bankable feasibility for the Malaysian project.

Management understands that its current commitment to fund the ongoing commercialisation objectives and to continue as a going concern requires funds to be raised. The Company is pursuing a strategy which manages the impact of dilution on shareholders equity and intends to raise smaller sums as each set of milestones is passed and the lead project gets closer to commercialisation. Since the end of the reporting period, the Company has conducted a rights issue which has received positive support from shareholders, and raised funds of approximately $500,000.

In addition to other fund raising, the completion of the R&D tax incentive claim for FY19 will provide additional funding to the Group of approx. $900,000 after settling liabilities for R&D financing.

Progress on approval of funding from the Technology Development Authority (TDA) in Malaysia is progressing well. With the completion of an agreement for a Malaysian based company to take a 51% share of Leaf Malaysia OpCo Sdn Bhd (a prerequisite for TDA funding approval), final submissions can now be achieved for TDA approval. The company has been advised by the TDA that pre-construction funding is available from the TDA program and this has been incorporated into the project submission which is due to be reviewed by the TDA and Malaysian Ministry of Finance in September/October 2019. This pre-construction funding will provide funds to cover the completion of the FEL3 study, the generation of sugar samples, as well as a large portion of the balance of funds due to BPF for the IDS. Discussions with the TDA so far have been favorable and it is anticipated that this funding will be approved and received within the current financial year based on timeframes indicated by the TDA.

With this result in hand, Leaf requirements on capital will be less due to reimbursable costs from Leaf Malaysia becoming available.

Based on the Company's recent and historic ability to raise capital, the progress of the Malaysian project and the establishment of a local partner to assist in accessing local non-dilutive or Government funded capital the Directors have a reasonable expectation that they will be able to raise further sufficient funds in the equity markets to provide adequate levels of working capital to fund the company's strategic goals. They believe therefore that the Group continues to be a going concern and that it will be able to pay its debts as and when they fall due for a period of at least 12 months from the date of this report.

On this basis the Directors believe that the going concern basis of presentation is appropriate. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not have the ability to continue as a going concern.

If for any reason the Group is unable to continue as a going concern, it would impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

4. Changes in accounting policies

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

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2018. Information on the more significant standards is presented below.

AASB 9 Financial Instruments

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

AASB 9 is applicable to annual reporting periods beginning on or after 1 January 2018.

The Directors of the Company have considered the impact of AASB 9 and concluded that the adoption of these amendments has not had a material impact on the Group given there are limited trading revenues and trade receivables.

AASB 15 *Revenue from Contracts with Customers*

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

- Replaces AASB118 Revenue, AASB 111 Construction Contracts and some revenue-related interpretations
- Establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

AASB 15 is applicable to annual reporting periods beginning on or after 1 January 2018.

The Group has considered the impact of AASB15. The Group did not generate any revenue from contracts with customers in the financial year ended 30 June 2018. In the current year the Group entered into an agreement with the State of Queensland to deliver a project under the Biofutures Acceleration Program. The revenue relating to this contract has been classified as revenue from services delivered over time and has been accounted for in line with AASB 15. Refer to note 5(o) for information on current year revenue recognition policies.

(b) Accounting Standards issued nut not yet effective and not been adopted early by the Group

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

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

AASB 16 Leases

AASB 16:

- replaces AASB 117 Leases and some lease-related interpretations.
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases.
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases.

AASB 16 is applicable to annual reporting periods beginning on or after 1 January 2019.

As there are no lease commitments over one month the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

5 Summary of accounting policies

(a) Overall considerations
The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

(b) Basis of consolidation
The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2019. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All Australian subsidiaries have a reporting date of 30 June. Leaf Resources USA, LLC has a reporting date of 31 December.

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

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. A list of controlled entities is contained in Note 32 to the financial statements.

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

(c) Investments in associates and joint arrangements
Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Joint Venture
The Group is engaged in a joint venture, Leaf Development, LLC with Claeris HoldCo, LLC. The joint venture has been formed to develop renewable chemical projects and is progressing negotiations to develop at least one commercial-scale, second generation, bio-chemical production facility in Malaysia that will utilise the Glycel™ process.

Joint Operation
The Group's subsidiary, AQL Mining Pty Ltd has been conducting a joint operation, the Six Mile Creek Joint Venture joint operation. The joint operation has exploited two mining tenements in Karratha, Western Australia, to mine and sell soil and gravel. AQL Mining Pty Ltd holds leases over these mining tenements and holds a 50% ownership interest in the joint operation equally with the joint operation partner.

The joint operation mining has ceased and the process of restoring the land held under the mining leases by AQL Mining Pty Ltd has been substantially completed but not yet finalised.

(d) Foreign currency transactions and balances

Functional and presentation currency
The consolidated financial statements are presented in Australian Dollars ($AUD), which is also the functional currency of the Parent Company

Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations
In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the Australian-Dollar ($AUD) are translated into $AUD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into $AUD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into $AUD at the closing rate. Income and expenses have been translated into $AUD at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

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

As advised in the 30 June 2017 annual report, the gravel mining business, previously reported, has ceased and is no longer reported as an operating segment.

The operating segment undertakes research, development and commercialisation of specific technologies within the clean technology sector (R&D).

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

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

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

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

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

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

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

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

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

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

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

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

Deferred tax
Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

(j) Receivables
Trade and other receivables are recorded at amounts due less any allowance for expected credit loss.

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

(l) Financial instruments

Recognition, Initial measurement and derecognition
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classifications are determined by both:

- The entities business model for managing the financial assets
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Subsequent measurement financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as government bonds that were previously classified as held-to-maturity under AASB 139.

Financial assets at fair value through profit or loss (FVPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Equity instruments at fair value through other comprehensive income (Equity FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital.

Impairment of Financial assets

AASB 9's impairment requirements use more forward looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses.

The group does not have significant trading revenues or trade receivables, therefore there is no material expected credit loss.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Previous accounting policies for financial instruments

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

(ii) *Available-for-sale (AFS) financial assets*

Available-for-sale (AFS) financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets relate to the Company's investment in ZeaChem Inc.

The investment has been recorded at fair value. The investment has not produced any gains or losses to be recognised in other comprehensive income except for impairment losses which have been recognised in profit or loss. The Directors have determined that the fair value of the investment in ZeaChem Inc. at reporting date is $Nil, although the Group still holds contractual rights to the cash flows from the investment, During the 2017 financial year the ZeaChem board provided information indicating that it is unlikely that shareholders will achieve any return on their investment. Based on this, the directors have determined the fair value of the investment to be $nil and an impairment of this amount was recognised during the year ended 30 June 2017.

(iii) Financial assets at fair value through profit or loss

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

(iv) *Financial liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation

(m) Provisions

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

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

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

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

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

(n) Earnings per share

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

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

(o) Revenue recognition

(i) Current year revenue recognition

Revenue arises from the rendering of services over time plus the Group's share of revenue of its joint operation.

The Group recognises revenue from services transferred over time in line with the completion of milestones where the agreement is sufficiently specific and enforceable. During the year the Group entered into an agreement with the State of Queensland to deliver the Biofutures Acceleration Program. The program was completed during the year and revenue has been recognised over time in line with the completion of project milestones.

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

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

(ii) Previous accounting policies for revenue recognition

For the year ended 30 June 2018, revenue is recognised using the methods outlined below.

Revenue from the sale of goods is recognised when the Group entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

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

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

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

(p) Property, plant and equipment

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

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

The depreciation rates are determined based on the useful life of the asset.

(q) Leased assets

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

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

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

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

(r) Employee benefits

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

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

(s) Share based payments

The group operates equity-settled share-based payment employee share, performance rights and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price.

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

The fair value of options is ascertained using a binomial or trinomial pricing model which incorporates all non-market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(t) Patent assets – Patent assets and licence assets

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

Subsequent expenditure

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

Amortisation

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

- Patents 20 years

Impairment
Impairment losses and reversals are reported within profit or loss and are recognised as described in Note 5(h).

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

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

The Group incurs expenditure on research and development and is eligible to receive a refundable tax offset under the Research and Development Tax Incentive. The expected refundable R&D Tax Incentive Offset is recognised at the reporting date in relation to eligible R&D expenditure during that reporting period.

(v) Rounding of amounts
The Parent Entity has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest dollar.

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

Impairment
The Group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers in accordance with the accounting policy stated in Note 5(h). Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

R&D Tax Incentive
Management, together with external consultants have determined that the Group expects to receive a R&D tax incentive refund of $2,872,071 in respect of eligible expenditure incurred during the current reporting period.

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

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

6. Other income

	2019 $	2018 $
R&D tax incentive	2,872,071	941,191
Services transferred over time	358,440	-
Interest income	544	6,494
Other	15,214	10,522
	3,246,269	**958,207**

7. Expenses

	Notes	2019 $	2018 $
Depreciation, amortisation and impairment expense			
Depreciation of property, plant and equipment	15	1,601,036	8,578
		1,601,036	**8,578**

Employee Benefits Expense		
Salaries, wages & bonus	676,906	699,328
Superannuation	60,160	53,894
Share based payments	25,449	83,384
Other employee benefits	292,811	234,052
	1,055,326	**1,070,658**

Rental expense relating to operating leases		
Minimum lease payments	59,696	68,587
Net foreign exchange differences	**132,312**	**23,289**

8. Income tax

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

	Note	2019 $	2018 $
Loss before income tax		(6,778,388)	(4,385,972)
Income tax at 27.5% (2018: 30%)		(1,864,057)	(1,315,792)
Loss relating to foreign subsidiary		406,310	374,129
Expenditure not allowable for income tax purposes		20,891	212,904
Temporary differences (deferred tax)		(775,662)	(323,348)
Unrecognised/ (recognised) tax losses		560,632	403,010
Expenditure incurred in relation to R&D tax incentive		1,651,886	649,097
Adjustment in respect of prior year's R&D tax incentive		-	-
Actual income tax benefit		-	-
Income tax refund comprises:			
Current tax expense (income)		-	-
Deferred tax expense (income)		-	-
Income tax benefit		**-**	**-**

Losses
At 30 June 2019, the Group has carry forward tax losses of approximately $24.0 million not brought to account (2018: $22 million). The deferred tax asset which may be derived from these tax losses, has not been carried forward as an asset in the balance sheet and will only be recognised if:

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

Deferred income tax	**2019 $**	**2018 $**
Deferred tax assets		
-Provisions	83,996	61,525
-Share capital costs	142,285	115,954
-Patents	86,438	95,160
-Legal fees	-	6,488
-Property, plant and equipment	-	1,613
-Tax losses	7,011,313	6,867,168
Deferred tax liabilities		
-Accrued income	-	-
Total deferred tax assets	**7,324,032**	**7,147,908**

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

9. Auditor remuneration

	2019 $	**2018 $**
Audit and review of financial statement Grant Thornton	54,163	52,493
Taxation compliance services Grant Thornton	22,699	5,500
Total auditor's remuneration	**76,862**	**57,993**

10. Remuneration of key management personnel

Key management personnel compensation:

	2019 $	**2018 $**
Short-term employee benefits	1,015,359	919,808
Post-employment benefits	74,863	57,211
Share based payments*	67,688	81,580
	1,157,910	**1,058,599**

* Detailed remuneration disclosures are provided in the remuneration report.

11. Earnings per share

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

Reconciliation of earnings used in calculating earnings per share	2019 $	2018 $
Loss attributable to the parent entity used in the calculation of basic and dilutive EPS	(6,778,388)	(4,385,972)
Loss attributable to the parent entity	(6,778,388)	(4,385,972)
Weighted average number of ordinary shares		Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	289,446,313	218,625,131
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per shares	289,446,313	218,625,131

Calculation of dilutive EPS

As at 30 June 2019 there were:

- 17,829,895 unlisted options and 972,599 unlisted performance rights on issue which have vested; and
- 6,085,684 unlisted options on issue which have not yet vested.

The 17,829,895 unlisted options and 972,599 unlisted performance rights 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 2018, there were 6,694,017 unlisted options and 1,145,747 unlisted performance rights 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.

12. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2019 $	2018 $
Cash at bank and in hand		
Cash held in $AUD	291,634	497,320
Cash held in $USD (converted to $AUD)	674	6,540
Cash held in EURO (converted to $AUD)	1,293	54,192
Cash and cash equivalents	**293,601**	**558,052**

13. Trade and other receivables

	2019 $	2018 $
Trade receivables	21,128	21,850
Allowance for expected credit losses	-	-
Net trade receivables	**21,128**	**21,850**
GST receivable	2,749	22,745
Prepayments	4,171	21,765
Deposit landlord	-	6,050
Accrued income	2,096	2,096
R&D tax incentive refundable	2,872,071	941,191
Total Trade and other receivables	**2,902,215**	**1,015,697**

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. Trade and other receivables are assessed for recoverability and an allowance for credit loss is recognised when there is objective evidence that an individual trade or other receivable is impaired. At 30 June, the following amount was past due. No allowance for credit loss has been made as it is reasonably expected that these amounts will be collected in full within 6 months of the reporting date.

The receivable for R&D tax incentive will be partly used to settle the R&D financing borrowing as the incentive receivable is secured under the terms of the loan agreement.

Trade and or other receivables past due at 30 June 2019

	Current	> 30 days	> 60 days	> 90 days
Trade receivables	$2,263	$5	$nil	$18,860

The overdue receivables will be settled upon completion of the final rehabilitation of the mining lease held by AQL Mining therefore there is no allowance for credit losses.

14. Investments accounted for using the equity method

Movements in Investment in joint venture

	2019 $	2018 $
Opening	369,686	86,243
Contributions	1,027,165	1,670,748
Share of loss of joint venture	(1,477,493)	(833,077)
Impairment	-	(414,019)
Foreign currency translation	80,642	(140,209)
Closing	**-**	**369,686**

Investment in joint venture

The Group has one material joint venture, Leaf Development, LLC

Name of the joint venture	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the group	
			30 June 2019	**30 June 2018**
Leaf Development, LLC	USA	To develop up to 5 biorefinery plants	80%	80%

Summarised financial information for Leaf Development, LLC is set out below

	2019 $	2018 $
Current assets	17,489	118,269
Non-Current assets	350,455	338,576
Total Assets	**367,944**	**456,845**
Current Liabilities	708,891	-
Non-Current Liabilities	-	-
Total Liabilities	**708,891**	**-**
Revenue	-	-
Loss for the year	(1,855,407)	(929,827)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(1,855,407)	(929,827)
Depreciation and amortisation	-	-
Interest Income	-	-
Interest Expenses	-	-
Total expense	**-**	**-**

A reconciliation of the above summarized financial information to carrying amount of the investment in Leaf Development, LLC is set out below:

	2019 $	2018 $
Total net assets of Leaf Development, LLC	(340,947)	456,845
Proportion of ownership interests held by the Group	80%	80%
Add back amounts paid directly by the Parent Company	2,986	2,986
Adjustment of investment to reflect ownership commitment	269,772	-
Carrying amount of the investment in Leaf Development, LLC	-	368,462

As Leaf Resources Limited does not have direct responsibility for the liabilities of the US subsidiary, even though the net assets of Leaf Development are negative, the carrying amount of the investment has been adjusted to nil.

Under the terms of the Company Agreement for Leaf Development LLC Leaf Resources USA, a wholly owned subsidiary of Leaf Resources Limited, has a further commitment of approximately $75,000 USD to Leaf Development LLC. However, this commitment is subject to Leaf Development LLC achieving specified milestones and no liability exists until these milestones are achieved.

15. Property, plant and equipment

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

	2019 $	2018 $
Plant and equipment		
Cost	1,292,355	827,233
Accumulated depreciation	(1,263,844)	(15,659)
Total property, plant and equipment	**28,511**	**811,574**

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

	2019 $	2018 $
Plant and equipment		
Opening written down value	6,877	11,736
Additions	1,161,987	2,570
Transfer from Work in Progress	776,614	-
Disposals	(344,014)	(1,924)
Depreciation	(1,597,729)	(5,505)
Closing written down value, plant & equipment	3,735	6,877
Leasehold improvements		
Opening written down value	2,868	4,783
Additions	-	-
Disposals	-	(1,452)
Depreciation	(379)	(463)
Closing written down value, leasehold improvements	2,489	2,868
Laboratory equipment		
Opening written down value	25,215	20,485
Additions	-	7,340
Disposals	-	-
Depreciation	(2,928)	(2,610)
Closing written down value, laboratory equipment	22,287	25,215
Work in Progress		-
Additions	776,614	776,614
Disposals		-
Transfer to Plant and equipment	(776,614)	-
Closing value, work in progress	-	776,614
Total property, plant and equipment	**28,511**	**811,574**

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

16. Intangible assets

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

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

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

- PCT/AU2015/050390 - "Methods for hydrolysing lignocellulosic material" relating to the conversion of plant biomass to cellulose and then to cellulosic sugars and;
- PCT/AU2015/050389 - "Methods for treating lignocellulosic material" relating to the conversion of plant biomass into cellulose for cellulose fibre and;

Both PCT/AU2015/050390 & PCT/AU2015/050389 have entered national phase filing and prosecution in the following countries: Brazil, Canada, Mexico, PR China, Malaysia, Thailand, Japan, South Korea, India, Europe, USA, Australia, New Zealand, Indonesia and South Africa. The corresponding Australian applications were granted as patents during the year.

Provisional applications in the year were filed for separations technologies in collaboration with Amalgamated Research Inc. Leaf owns the rights through a deed of assignment.

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

- PCT/AU2018/050530 – "Method for extracting silica" relating to methods for extracting silica from organic material and more particularly plant material, such as rice hulls, rice straw and sugarcane bagasse.

This patent application has entered international phase with country selection to occur in November 2019.

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

17. Trade and other payables

Trade and other payables consist of the following:

	2019 $	2018 $
Trade payables	1,213,322	424,446
Accruals	55,823	703,104
Other payables	20,520	50,965
Total trade and other payables	**1,289,665**	**1,178,515**

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

18. R&D financing payable

R&D financing payable consists of the following:

	2019 $	2018 $
R&D financing loan principle payable	1,805,000	-
R&D financing loan interest payable	100,722	-
Total R&D financing payable	**1,905,722**	**-**

The Company entered into a loan agreement with Radium Capital (Radium) for the advance payment of funds to be received under the Australian R&D tax incentive for the FY19 year. Under this agreement Leaf received a total of $1,805,000 over three separate draw downs. The loan has a simple interest rate of 14% and is repayable at the time the company receives its R&D tax incentive from the ATO. Under the terms of the loan agreement Radium has security over all present and future right, title and interest in the R&D tax incentive refund which Leaf becomes entitled to.

19. Promissory notes payable

Promissory Notes payable consists of the following:

	2019 $	2018 $
Promissory notes principle payable	250,000	-
Promissory notes interest payable	9,107	-
Total promissory notes payables	**259,107**	**-**

On 2 April 2019 the company issued a total of 2,500 unsecured notes with a face value of $100 each to entities associated with two directors of the company. The notes have a three year term, with a simple interest rate of 14% per annum payable at the end of the term, unless the Company exercises its right to repay the capital and accrued interest earlier or is required to do so under the Note terms. The Company (but not the holder) may elect, in its discretion, to convert the Notes into fully paid ordinary shares instead of repaying the face value and accrued interest.

20. Employee benefits

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

Current	2019 $	2018 $
Leave entitlements	143,804	120,693
Accrued employee salaries	105,051	-
Accrued directors' salaries	55,833	-
Total employee benefits	**304,688**	**120,693**
Non-Current		
Leave entitlements	753	34,390
Total non-current employee benefits	**753**	**34,390**
Total employee benefits	**305,441**	**155,083**

The current portion of these liabilities represents the Group's obligations to its current employees that are expected to be settled during the year ended 30 June 2020. Refer to the remuneration report for further information regarding the accrued components of employee benefits as they relate to directors and executives and refer to Note 26 for share-based payment information.

21. Provisions

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

	2019 $	2018 $
Carrying amount opening	50,000	50,000
Additional provision	-	-
Amount utilised	-	-
Reversal	-	-
Carrying amount closing	**50,000**	**50,000**

Leaf Resources' subsidiary AQL Mining Pty Ltd is required to restore the mining leases held in Karratha, Western Australia, to the extent required by the mining approvals. A provision for rehabilitation has been recognised for the present value of the estimated expenditure required to restore the ground site on cessation of mining. Restoration of the mining leases is progressing, and the provision is still considered an accurate estimate of the remaining liability.

22. Issued capital

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

	2019 Number	2019 $	2018 Number	2018 $
Movements in ordinary share capital				
Balance at beginning of financial year	238,993,342	51,128,441	184,357,233	46,360,004
Net share issue	66,213,332	4,621,057	51,843,331	4,524,348
Net issue under share based payments	-	-	667,778	Nil
Exercised / expired employee options	-	-	2,125,000	244,089
Total contributed equity	**305,206,674**	**55,749,498**	**238,993,342**	**51,128,441**

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

The Company issued shares between August and December 2019 to sophisticated investors utilising the share placement facility under listing rule 7.1 and 7.1A.

23. Reserves

	Note	2019 $	2018 $
Employee equity-settled benefits reserve			
Balance at beginning of the financial year		1,024,550	935,921
Cost of share-based payment		48,872	130,587
Value of exercised & expired options under ESOP		(359,792)	(41,958)
Balance at the end of the financial year		**713,630**	**1,024,550**
Share based payments reserve			
Balance at beginning of the financial year		**196,008**	**158,178**
Cost of share-based payments expensed		15,300	37,830
Cost of share-based payments as part of share issue transaction costs		55,498	-
Value of lapsed/expired options		(82,142)	-
Balance at the end of the financial year		**184,664**	**196,008**
Foreign Currency Translation Reserve			
Balance at beginning of the financial year		**(57,191)**	**(48,953)**
Currency gains recognised on translation of foreign subsidiary's operations		81,866	(8,238)
Balance at the end of the financial year		**24,675**	**(57,191)**
Total reserves		**922,969**	**1,163,367**

This reserve records the value of equity benefits, i.e. share based payments, provided to employees and directors as part of their remuneration. Refer to Note 26 Share Based Payments for further details of these plans.

24. Accumulated losses

	2019 $	2018 $
Opening balance at the beginning of the financial year	(50,921,621)	(46,543,589)
Loss for the year	(6,778,388)	(4,385,972)
Lapsed share based payments	441,934	7,940
Closing balance at the end of the financial year	**(57,258,075)**	**(50,921,621)**

25. 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:

	2019 $	2018 $
Cash and cash equivalents	**293,601**	**558,052**

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

	2019 $	2018 $
Net loss for the period	(6,778,388)	(4,385,972)
Adjustments for:		
Depreciation	1,601,036	8,578
Share based payments	64,172	168,415
Profit on sale of equipment included in investing activities	-	3,379
Share of loss of equity accounted investment	1,477,493	833,077
Impairment of investment	-	414,019
Licence fee	-	-
Net changes in working capital:		
Change in trade and other receivables	(1,886,013)	(285,469)
Change in trade and other payables	102,882	563,972
Change in employee benefits	150,357	(11,045)
Change in provisions	-	-
Net cash used in operating activities	**(5,268,461)**	**(2,691,046)**

c) Non-cash investing and financing activities

Settlement of some directors' fees, employee bonus and supplier payments by shares and employee options issued are non-cash transactions excluded from the statement of cash flows. Refer to Note 26 below.

26. Share based payments

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

Share based payment expense

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

	2019 $	2018 $
Shares issued to employees	-	-
Shares issued to directors	-	-
Employee share option plan – employees	45,612	9,790
Employee share option plan – directors and officers	22,764	-
Employee performance rights plan	(19,504)	120,795
Subtotal	**48,872**	**130,585**
Shares issued to suppliers	-	-
Options issued to joint venture partner	15,300	37,830
Total share based payment expense	**64,172**	**168,415**

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

Employee share option plan (ESOP)

At 30 June 2019 the Group maintained an ESOP which was approved by shareholders at the 2011 annual general meeting. The Board may offer options at no cost to directors and officers and full time and part time employees of the Group under the plan.

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

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

The fair value of the equity-settled share options is estimated at the date of grant using an appropriate option pricing model taking into account the terms and conditions upon which the options were granted. The fair value is recognised as an expense over the vesting period. The expense recognised in the current year of $45,612 is in respect of unlisted 22 May 2018 options, $8,118 is in respect of unlisted 20 Dec 2018 options and $14,646 is in respect of unlisted 14 Sep 2018 options.

Director Options

The current Managing Director, Mr Alex Baker, was issued 2,500,000 options during the period in accordance with the resolution approved at the Annual General Meeting on 20 November 2018.

Valuation of options granted and / or issued during the reporting period.

	Options	Options
Recipient	Managing Director	Managing Director
Valuation Date	20-12-2018	20-12-2018
Valuation Method	Hoadley	Hoadley
Value	$19,892	$7,559
Number	1,500,000	1,000,000
Share Price at Valuation	$0.06	$0.06
Exercise Price	$0.15	$0.25
Volatility	53%	53%
Risk Free Rate	2.34%	2.34%
Share Price Target	N/A	N/A
Exercise Multiple	N/A	N/A
Assumed Employee Exit Rate	N/A	N/A
Trinomial Steps	N/A	N/A
Term in Years	5	5
Earliest Vesting Date	1-02-2020	1-02-2020
Number of Vesting Tranches	3	3
Value per Share or Right	$0.013	$0.0076

The previous Managing Director, Mr Ken Richards, was issued 1,500,000 options during the period in accordance with the resolution approved at the Extraordinary General Meeting on 14 September 2018.

Valuation of options granted and / or issued during the reporting period.

	Options
Recipient	Managing Director
Valuation Date	14-09-2018
Valuation Method	Hoadley
Value	$30,286
Number	1,500,000
Share Price at Valuation	$0.07
Exercise Price	$0.15
Volatility	51%
Risk Free Rate	2.60%
Share Price Target	N/A
Exercise Multiple	N/A
Assumed Employee Exit Rate	N/A
Trinomial Steps	N/A
Term in Years	5
Earliest Vesting Date	14-09-2019
Number of Vesting Tranches	3
Value per Share or Right	$0.020

The Leaf Resources Limited Performance Rights Plan (The Plan)

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

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

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

A performance right will lapse, if not exercised, at the earliest of:

a) the expiry date

b) if the performance conditions are not achieved within the specified measurement period

c) the date a resolution to wind up the Company is passed

d) in relation to a performance right that has not vested

i. The date the staff member ceases to be employed by the company (for a reason other than a qualifying reason)
ii. 5 days after the last measurement period applying to the performance right
iii. The date on which the Board may determine that the staff member has acted fraudulently or dishonestly, or has breached his or her obligations to the Company

e) in relation to a performance right that has vested

i. 30 days after the date the staff member ceases to be employed by the company (if for a qualifying reason)
ii. 5 days after the date the staff member ceases to be employed by the company (if for a reason other than a qualifying reason)

Shares acquired through exercising performance rights:

a) may at the Board's discretion have a restriction placed on the transfer of the shares for a period of up to seven years from the Grant Date.

b) will rank equally with shares of the same class

No performance rights were granted during the year ended 30 June 2019.

During the reporting period $36,449 was expensed in relation to performance rights issued in prior periods.

Outstanding performance rights

The outstanding balance of performance rights as at 30 June 2019 is represented below.

Grant Date	Expiry Date	Exercise Price	Performance rights 2019	Performance rights 2018
1 December 2017	1 December 2022	$Nil	-	575,344
27 November 2017	27 November 2022	$Nil	194,819	1,864,693
1 December 2016	1 December 2021	$Nil	-	81,320
11 January 2016	11 January 2021	$Nil	777,780	869,608
Total			**972,599**	**3,390,965**

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	WAEP $	Number of options	WAEP $
	2019	**2019**	**2018**	**2018**
Outstanding at the beginning of the year	11,382,052	0.163	22,477,742	0.173
Granted during the year	49,001,863	0.098	3,650,000	0.150
Expired during the year	(36,468,336)	0.092	(12,620,690)	0.188
Exercised during the year	-	-	(2,125,000)	0.100
Outstanding at the end of the year	**23,915,579**	**0.139**	**11,382,052**	**0.163**

There were 6,085,684 options that were issued but not vested at 30 June 2019 (1,038,035 unvested at 30 June 2018).

Outstanding options

The outstanding balance of options as at 30 June 2019 is represented below.

Grant Date	Expiry Date	Exercise Price	Share options 2019	Share options 2018
3 September 2014	3 September 2018	$0.10	-	375,000
1 August 2016	1 August 2021	$0.1375	1,557,052	1,557,052
23 December 2016	23 December 2021	$0.145	3,000,000	3,000,000
23 December 2016	23 December 2022	$0.22	2,000,000	2,000,000
16 June 2017	3 July 2022	$0.22	800,000	800,000
22 May 2018	19 March 2023	$0.15	333,333	1,000,000
22 May 2018	22 May 2023	$0.15	2,350,000	2,650,000
4 October 2018	20 September 2019	$0.09	4,937,597	-
4 October 2018	20 September 2020	$0.11	4,937,597	-
14 September 2018	14 September 2023	$0.15	1,500,000	-
20 December 2018	1 February 2024	$0.15	1,500,000	-
20 December 2018	1 February 2024	$0.25	1,000,000	-
Total			**23,915,579**	**11,382,052**
The weighted average remaining life of the options outstanding at year end.			2.47 years	3.97 years

27. Events subsequent to reporting date

Since 30 June 2019 the following matters have arisen which may significantly affect the operations of the Group:

- A rights issue to existing shareholders to raise approximately $500,000 before costs;
- An agreement has been reached with Bioprocess Pilot Facility in Delft as to the final amounts due for the completion of the Integrated Design Study completed earlier in the calendar year. These amounts have been reflected in the accounts.
- Bioprocess Pilot Facility (BPF) in the Netherlands, the company used by Leaf for the Integrated Demonstration Study, has been engaged to produce sugar samples from the outputs of the study in the Netherlands for €350,000. This process will commence once funding has been received for this purpose from the Malaysian Project.

28. Related party transactions

Parent Entity

The Parent entity within the Group is Leaf Resources 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 32.

Key Management Personnel

Disclosures relating to key management personnel are set out in Note 10 and also further details are included in the Remuneration Report contained in the Directors' Report.

Transactions with other related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

On 2 April 2019 the company issued a total of 2,500 unsecured notes with a face value of $100 each to entities associated with two directors of the company. The notes have a three year term, with a simple interest rate of 14% per annum payable at the end of the term, unless the Company exercises its right to repay the capital and accrued interest earlier or is required to do so under the Note terms. The Company (but not the holder) may elect, in its discretion, to convert the Notes into fully paid ordinary shares instead of repaying the face value and accrued interest.

29. Contingent assets & liabilities

The Group is eligible to claim the R&D tax incentive from the Australian Taxation Office for its research and development eligible expenditure. The Group's accrued income includes the estimated tax refund of $2,872,071 to be received from this incentive for the Group's domestic and overseas spend for the year ended 30 June 2019. On 5 February 2015, Leaf Resources Limited was granted, in respect of its Biofuels Development Program, a Certificate for Advance Finding under s28A of the *Industry Research and Development Act* 1986 and a Certificate for Overseas Finding under s28C of the *Industry Research and Development Act* 1986. During the year the Group undertook trials of its Glycell™ process in Europe and incurred overseas research costs.

30. Financial instruments

Capital management

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

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

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

Derivative financial instruments

The Group does not currently employ any derivative financial instruments.

Financial risk management policies

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

i Treasury risk management

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

ii Financial risk exposures and management

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

Liquidity risk

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

Credit risk

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

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

Interest rate risk

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

	Weighted average effective interest rate		**Floating interest rate**	
	2019 %	**2018 %**	**2019 $**	**2018 $**
Financial assets held at amortised cost:				
Cash and cash equivalents	0.00	0.52	293,601	558,052
Receivables	-	-	2,902,215	1,015,697
Total financial assets			**3,195,816**	**1,573,749**
Financial liabilities held at amortised cost:				
Trade payables and accruals	-	-	1,289,665	1,178,515
R&D financing loan	14	-	1,905,722	-
Promissory notes	14	-	259,107	-
Total financial liabilities			**3,454,494**	**1,178,515**

Interest rate sensitivity

At 30 June 2019, the Group is exposed to changes in market interest rates through bank deposits at variable interest rates. The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2018: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the market interest rate at reporting date, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year			**Equity**
	$	**$**	**$**	**$**
	+1%	-1%	+1%	-1%
30 June 2019	69	7	69	7
30 June 2018	4,924	2,387	4,924	2,387

The analysis above excludes the loan liabilities as both the promissory notes and the R&D financing loan are fixed rate.

Foreign currency risk

Most of the Group's transactions are carried out in AUD. Exposures to currency exchange rates arise from the Group's overseas research and development activities, which are denominated in US dollars (USD) OR Euros.

The Group does not enter into forward exchange contracts to mitigate the exposure to foreign currency risk. The Group's risk management procedures for short-term foreign currency cash flows to fund the payment of suppliers in the United States and Europe consists of holding a proportion of the estimated foreign currency cash flow in a USD bank account and a Euro bank account. The USD and Euro values of the accounts are translated into AUD at the prevailing spot exchange rate and at 30 June 2019 had a combined value of AUD$1,967.

Financial instruments maturity analysis

As the Group has no significant interest-bearing assets other than cash at bank, the Group's income and operating cash flows are not materially exposed to changes in market interest rates. Cash flows from financial assets are expected to be realised as disclosed below, financial liabilities due for payment are also expected to be settled within 1 year. Financial assets and financial liabilities are neither past due nor impaired with the exception of amounts disclosed in Note 13.

		Within 1 year	
	Note	**2019 $**	**2018 $**
Financial assets held at amortised cost:			
Cash and cash equivalents	12, 25a	293,601	558,052
Receivables	13	2,902,215	1,015,697
Total financial assets		**3,195,816**	**1,573,749**
Financial liabilities held at amortised cost:			
Trade payables and accruals	17	1,289,665	1,178,515
R&D financing loan payable	18	1,905,722	-
Promissory notes payable	19	259,107	-
Total financial liabilities		**3,454,494**	**1,178,515**

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

	2019 $	2018 $
Less than 6 months	2,338,132	1,178,515
6 months to 1 year	1,116,362	-
	3,454,494	**1,178,515**

iii. **Net fair values**

The net fair values of:

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

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

31. Commitments and contingent liabilities

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

	2019 $	2018 $
Operating lease commitments		
Within one year	-	25,835
Later than one year but not later than five years	-	-
Later than five years	-	-

The Company has signed an agreement to engage Bioprocess Pilot Facility (BPF), the Netherlands company used for carrying out the integrated demonstration study, for the production of sugar samples from the outputs of the study. The agreement with BPF is for work to the value of €350,000. The work will not commence until funding is received from the Malaysian project.

32. 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	
				2019 %	2018 %
AQL Mining Pty Ltd	***Mining of gravel and general fill***	***Australia***	Ord	100	100
Farmacule BioIndustries Pty Ltd	***Research & development***	***Australia***	Ord	100	100
Leaf Sciences Pty Ltd	***Intellectual property owner***	***Australia***	Ord	100	100
Leaf Research Pty Ltd	***Research & development***	***Australia***	Ord	100	100
Leaf Performance Plan Pty Ltd	***Trustee of employee share trust***	***Australia***	Ord	100	100
Leaf Resources USA, LLC	***Investor in Leaf Development, LLC***	***USA***	Ord	100	100
Subsidiaries of Leaf Resources USA,LLC					
Leaf Development LLC	***Investment Company***	***USA***	Ord	80	80
Subsidiaries of Leaf Development LLC					
Leaf Malaysia OpCo Sdn. Bhd.	***Investment Company***	***Malaysia***	Ord	80	80

Leaf Malaysia OpCo Sdn is owned 100% by Leaf Developments LLC. Group ownership of Leaf Malaysia equates to 80% based on Leaf Resources ownership in Leaf Developments LLC.

33. Parent entity financial information

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

	Note	2019 $	2018 $
Financial Position			
Assets			
Current assets		3,170,108	1,535,360
Non-current assets	33(i)	30,411	1,192,715
Total assets		**3,200,519**	**2,728,075**
Liabilities			
Current liabilities		4,249,678	1,796,801
Non-current liabilities		754	34,390
Total liabilities		**4,250,432**	**1,831,191**
Equity			
Issued capital		55,749,498	51,128,441
Reserves		898,294	1,220,558
Retained losses		(57,697,705)	(51,452,115)
Total equity		**(1,049,913)**	**896,884**
Financial Performance			
Loss before income tax		(6,687,502)	(6,224,920)
Income tax expense		-	-
Total comprehensive loss for the year		**(6,687,502)**	**(6,224,920)**
33(i) Non-current assets			
Loans to subsidiaries		1,770	15,536
Investment in subsidiaries		130	365,605
Property, plant and equipment		28,511	811,574
		30,411	**1,192,715**

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 $77,046 was recognised by the parent entity in operating loss for the year ended 30 June 2019 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 Farmacule Bioindustries Pty Ltd – impairment $776
Loan to Leaf Sciences Pty Ltd – impairment $76,269

The recoverable amount of the investment in Farmacule was determined to be nil on a conservative value-in-use calculation as the Group's technologies proceed towards development and commercialisation at 30 June 2019.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Leaf Resources Limited, I state that:

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

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

(i) giving a true and fair view of its financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) there are reasonable grounds to believe that Leaf Resources Limited will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2019.

3. Note 2 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.

Doug Rathbone

Chairman

Brisbane, Queensland, Australia

30 September 2019

Grant Thornton

Level 18, 145 Ann St
Brisbane QLD 4000

Correspondence to:
GPO Box 1008
Brisbane QLD 4001

T +61 7 3222 0200
F +61 7 3222 0444
E info.qld@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report

To the Members of Leaf Resources Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Leaf Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 Company's financial position as at 30 June 2019 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* (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.

Grant Thornton

Material uncertainty related to going concern

The Group incurred a net loss of $6,778,388 during the year ended 30 June 2019, and incurred negative cashflows from operations of $5,268,461. These events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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
Equity accounted joint arrangement **Note 5(c) and Note 14**	
The Group, through its subsidiary Leaf Resources USA LLC holds an interest in Leaf Development LLC. Leaf Development LLC has been determined as a joint arrangement in accordance with AASB 11, *Joint Arrangements* and has been equity accounted. The joint arrangement is a significant focus for the Group and is integral in the commercialisation of their technology and has therefore been determined as a key audit matter.	Our procedures included, amongst others: • Performing targeted procedures to substantively test the existence and recoverability of significant assets and completeness and accuracy of liabilities as at year end; • Reviewing management's calculations for the Group's share of the loss for the period and share of net assets as at 30 June 2019; and • Assessing the adequacy of the Group's disclosures in respect of the joint arrangement.

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 Company's annual report for the year ended 30 June 2019, 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 Company'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 Company 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/ar2.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 11 to 21 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Leaf Resources Limited, for the year ended 30 June 2019 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

Grant Thornton Audit Pty Ltd
Chartered Accountants

M S Bell
Partner – Audit & Assurance

Brisbane, 30 September 2019

Shareholder Information

The ASX additional shareholder information set out below was applicable as at 30 June 2019.

1. Distribution of equity security holders:

Holding Distribution

	Number of equity security holders	
Range	**Ordinary Shares**	**Options**
100,000 and over	247	9
10,001 to 100,000	347	
5,001 to 10,000	123	
1,001 to 5,000	210	
1 to 1,000	407	
	1,334	**9**

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	CITICORP NOMINEES PTY LIMITED	21,141,077	6.93
2	UBS NOMINEES PTY LTD	20,882,300	6.84
3	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	12,621,097	4.14
4	MR RUSSELL CHARLES WILSON	11,676,865	3.83
5	JETAN PTY LTD	8,781,791	2.88
6	GROWTH CAPITAL (WA) PTY LTD	8,088,351	2.65
7	YUNDIE HOLDINGS PTY LTD	7,500,000	2.46
8	NETWEALTH INVESTMENTS LIMITED	7,497,103	2.46
9	BRINCLIFF PTY LTD	6,618,965	2.17
10	CLAERIS HOLDCO LLC	5,751,634	1.88
11	NARRAWALLEE PROPERTIES PTY LTD	5,500,000	1.80
12	MR XUANJUN LIU	5,124,738	1.68
13	AUSTRALIAN BUSINESSPOINT PTY LTD	4,888,888	1.60
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,769,843	1.56
15	GENETIC HORIZONS PTY LTD	4,462,923	1.46
16	KELIRI PTY LTD	4,143,055	1.36
17	EGEA PTY LTD	4,000,000	1.31
18	ALLAN OMACINI SUPERANNUATION FUND PTY LTD	3,869,643	1.27
19	MR ALEXANDER BRUCE BAKER & MS PAULA PHAN	3,680,173	1.21
20	MRS LYNN ANDREA MCMULLAN	3,670,198	1.20

3. Unquoted equity securities - Options

Expiry Date	Number on issue	Number of holders
Unlisted 1 February 2024	2,500,000	1
Unlisted 20 September 2020	4,937,597	1
Unlisted 20 September 2019	4,937,597	1
Unlisted 22 May 2023	2,350,000	3
Unlisted 19 March 2023	333,333	1
Unlisted 3 July 2022	800,000	1
Unlisted 23 December 2021	5,000,000	4

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
Tribeca Investment Partners Pty Ltd	41,532,368	13.61%
Ken Richards	17,435,252	5.71%

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

The options have no voting rights.

Corporate Directory

Board of Directors:	Doug Rathbone Ken Richards Matthew Morgan Bill Baum Alex Baker
Company Secretary:	Tim Pritchard
Managing Director:	Alex Baker
Registered Office & Principle Place of Business:	Suite 3 / 1 Westlink Court Darra, Queensland, Australia 4076 Telephone: +61 (7) 3188 9040 Facsimile: +61 (7) 3147 8001
Auditors:	Grant Thornton King George Central Level 18 145 Ann Street Brisbane, Queensland, Australia
Stock Exchange: the	Leaf Resources Limited shares are listed on Australian Securities Exchange (ASX)
Bankers:	National Australia Bank Brisbane City Business Bankers Level 22, 100 Creek Street Brisbane, Queensland, Australia 4000
Share Registry:	Link Market Services Limited Level 21, 10 Eagle St, Brisbane, QLD, Australia, 4000 Locked Bag A14 South Sydney, NSW, Australia 1235
Solicitors:	Clayton Utz Level 28, Riparian Plaza 71 Eagle Street, Brisbane, Queensland, Australia 4000
ASX Code:	LER
Website:	www.leafresources.com.au