



SUSTAINABLE PRODUCTS FROM PLANT BIOMASS



ANNUAL REPORT

FINANCIAL YEAR 2020

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Chairman and Chief Executive Officer's Message

2020 has been a mixed full year met with a range of challenges. During the first six months ended 31 December 2019, the Company, was ahead of its internal milestone timelines and during that period had continued to progress towards its objectives focused on the biorefinery projects using Leaf's proprietary Glycell™ technology. The second half brought significant challenges that stalled the momentum resulting from the global pandemic.

MALAYSIAN PROJECT

In September 2019, the Company announced Leaf Malaysia Op Co Sdn Bhd (Leaf Malaysia) had secured a Malaysian partner for 51% ownership of the Leaf Malaysia entity. Including a local shareholder was an essential step to give the Company an opportunity to secure valuable support from the Malaysian government including funding assistance. This includes funding under the Malaysian Technical Depository Agency (TDA) Industrial Collaboration Program (ICP). The ICP program provides funds for deployment on approved projects administered by the TDA, with US\$11.2 billion available to support the development of projects that help create jobs, economic growth and technology transfer. A successful outcome for Leaf through the ICP process would provide - US\$5.0 million and facilitate funding of its Malaysian project through to a bankable feasibility report.

In January 2020, Leaf Resources announced confirmation from the Malaysian Technical Depository Agency (TDA) regarding the acceptance and completion of the Company's application for funding consideration under the Industry Collaboration Program (ICP).

The TDA process, the second stage is to seek to match Leaf's proposed Malaysian biorefinery project with the ICP program and Malaysian government procurement obligations. The Company is awaiting an update from the TDA regarding the applications status.

QUEENSLAND PROJECT/GEVO

Also In September 2019, Leaf signed a Joint Development Agreement (JDA) with Colorado-based Gevo Inc, a leading renewable fuels and chemicals manufacturer listed on the NASDAQ, to explore the potential use of cellulosic derived sugars and glycerol from Leaf and the ability to convert these to hydrocarbon molecules useful as fuels or chemicals. This program also worked along side the Queensland project development that started in January 2020.

Gevo is focused on the development and commercialisation of renewable alternatives to petroleum-based products. This includes the development and production of mainstream fuels like gasoline and jet fuel using renewable feedstocks that have the potential to lower greenhouse gas emissions at a meaningful scale. Low carbon alternative jet fuels developed by Gevo have been used commercially. Gevo announced in August that it has entered into a partnership agreement with French aviation fuel producer and distributor Air TOTAL International SA (Air TOTAL) to produce and supply sustainable aviation fuel (SAF) for use and distribution in France and other parts of Europe.

The JDA with Leaf is structured around three phases of joint work designed to establish a bankable project. Phase 1 will develop the feasibility of a potential facility in Queensland (incorporating Leaf's proprietary Glycell™ technology), followed by phases investigating the commercial development and commercialisation of the project. Leaf commenced the integrated engineering model within phase 1 and continues to progress its joint activities with Gevo, with the ultimate goal of establishing the capacity to process biomass utilising Leaf's technology coupled with Gevo to produce "green" jet fuel.

Currently there is approximately 12 million bone dry tonnes of available biomass produced in Queensland with more than 90% of this material from the sugar cane industry.

COVID PANDEMIC IMPACT

The impact of COVID-19, including the shut-down of business activity and travel both domestically and internationally around the globe, led to a level of global uncertainty, that continues to impact economies worldwide, disrupt government programs and has had a direct impact on the Company's operation. In response to the global economic impact of COVID-19, the directors approved to suspend Directors' fees and modified the CEO's wages. Business operations have been reduced to focus resources and preparedness for progressing the projects and technology as conditions begin to return to normal.

Both the Malaysian and Local Queensland projects outlined above were temporarily curtailed continuing through the second half of the financial year. The Company will continue to review those projects as and when circumstances allow. Business and government activity in Malaysia are recommencing, however foreign nationals, now with limited exceptions, are restricted from entry up to Malaysia. In addition the ban on overseas travel from Australia is still in place in that the Company executives cannot leave Australia unless an exemption from the Department of Home Affairs is sought.

Technology development

The company is pleased that its patent applications in examination are making good progress, particularly the application that 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.

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. Through the year the Company has worked to consolidate the technology package and identify areas of further linkage and product potential.

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

Fundraising & Financing

FUNDRAISING AND MEETINGS

Leaf completed a non-renounceable rights issue in September 2019, raising a total of \$545,000 before costs. This rights issue allowed for one new share for every 14 shares held, at an issue price of \$0.025 per share. The new shares applied for under the Entitlement Offer were allotted on Friday 6 September 2019.

On 28 November 2019, the Board of Leaf Resources conducted its Annual General Meeting, with all resolutions passed.

The Company completed in late February a share placement of 5,250,000 fully paid ordinary shares (Shares) to raise \$105,000 at \$0.02 cents a Share (Placement). The Offer was made to sophisticated, professional and other investors who qualified under section 708 of the Corporations Act 2001 (Cth).

The Chairman of the Company, Mr. Doug Rathbone provided a loan of \$75,000 to the Company that converted to 3,804,452 new Shares in the Company at an issue price of 2 cents per Share by vote at the February 2020 EGM.

On 29 March 2019, the Company announced that it had 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. These notes were converted to 14,398,082 shares after shareholder approval at the Extraordinary General Meeting held on 24 April 2020.

On 24 February 2020, the Board of Leaf Resources conducted an Extraordinary General Meeting, with all resolutions passed.

R&D Tax Incentive

Leaf received \$2,838,226 in respect to its entitlement under the R&D tax incentive program for the 2019 financial year. Part of these funds were used to settle the R&D financing loan Leaf received from Radium Capital.

2020 look forward

Both the Malaysian and Local Queensland projects outlined above were temporarily curtailed continuing through the second half of the financial year. The Company will continue to keep the Malaysia project under review, however the Board believes they have a more realistic opportunity to progress our Queensland biorefinery proposal in the near term through the combination of both Leaf's and Essential Queensland's technology platforms considerably strengthens that proposal.

ESSENTIAL QUEENSLAND TRANSACTION

The Company's business moving forward will have a clear focus on capitalising on large and growing global markets for sustainable processes that produce 'clean' chemicals used by a wide range of downstream manufacturing industries through the recently announced proposed transaction with Essential Queensland Pty Ltd. The proposed transaction with Essential Queensland, announced on the 16th July 2020, continues to progress with the considerable administrative details being attended to.

Essential Queensland Pty Ltd (EQ) is currently constructing an initial 8000 tonne per annum output (terpene & rosin) commercial scale pine chemical extraction plant at the Apple Tree Creek site near Hervey Bay Queensland. Construction of the plant commenced in October with commissioning planned for November 2020.

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.

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: 14,683,636 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: 3,943,042 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).

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: 25,871,790 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 Logicamms Limited (ASX: LCM) and a non-executive director at Total Brain Limited (ASX: TTB). 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: Total Brain Limited (appointed 1 March 2016), Logicamms Ltd (appointed 22 November 2019).

Previous directorships (last 3 years): Sensera Limited (July 2016 – October 2019)

Interests in shares, options and performance rights: 2,253,219 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. He is also the current Chief Financial Officer for Edge Early Learning Pty Ltd and for Evocra Pty Ltd.

Tim Pritchard resigned from the position of Chief Financial Officer in September 2019 but remains as Company Secretary.

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:

- Reviewing process data on the Malaysian project biomass, empty fruit bunch (EFB);
- Developing Leaf Malaysia OpCo Sdn Bhd, for eligibility for Malaysian TDA programs;
- Actively engaging with Malaysian government and other parties on a potential biorefinery using the Glycell™ process in Malaysia;
- Assessing potential commercial products and offtake markets for the fermentable sugars, lignin and glycerol produced from the Glycell™ process.
- Assessing a potential biorefinery project in Queensland, opening discussion with industry partners, competitive funding assistance discussions with the QLD government BioFutures programme based on the prefeasibility study results the base line project definition.
- Investigating and implementing development and technical improvements to the process;
- Reviewing earlier feedstock data including woody biomass;
- 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 3-5 of this annual report.

The Group's operating loss for the year ended 30 June 2020 amounted to \$949,976 (30 June 2019: \$6,778,388 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 \$1,007,680 (from \$55,749,498 to \$56,757,178) as the result of the 2019 rights issue, placements to sophisticated investors as part of the capital raising program, and conversion of notes issued to related parties.

On 20 March 2020 the company issued a total of 750 unsecured notes with a face value of \$100 each to entities associated with a director of the company. The notes had a three year term, with a simple interest rate of 10% per annum payable at the end of the term, unless the Company exercised its right to repay the capital and accrued interest earlier or is required to do so under the Note terms

Under the terms of the notes, the Company elected to convert the 20 March 2020 Notes as well as the previously issued 2 April 2019 Notes into fully paid ordinary shares instead of repaying the face value and accrued interest. The conversion was approved at an Extraordinary General Meeting of shareholders on 24 April 2020.

Events arising since the end of the reporting period

Since 30 June 2020 the following matters have arisen which may significantly affect the operations of the Group:

- On the 16th July the Company announced that it has entered into a conditional Share Sale Agreement to acquire all of the issued capital of Essential Queensland Pty Ltd (EQ), an Australian private company, which utilises proprietary extraction technology to produce sustainable and renewable pine chemicals for sale into global markets. Ken Richards is a director of EQ.
- This acquisition presents an opportunity to combine the Leaf technology with the EQ technology given the complimentary nature of the two creating a stronger business position to address large and growing global markets for renewable industrial chemical products including pine chemicals.
- The objective is to secure near-term cash earnings and growth opportunities using EQ's technology while providing longer term opportunities based on Glycell™ technology. As part of the preconditions LER and EQ entered into a loan agreement in respect of the advance of \$600,000 by EQ to the Company.
- As noted in the 16 July 2020 release, the acquisition is conditional on the satisfaction of a number of conditions precedent including, the Company obtaining all required shareholder and regulatory approvals necessary for implementation of the Acquisition (including, under the ASX Listing Rules and Corporations Act) and LER re-complying with Chapters 1 and 2 of the ASX Listing Rules and being reinstated to trading on the ASX in accordance with ASX Listing Rule 11.1.3.
- Consequent to the announcement The ASX suspended the Company from quotation on the 16th July.
- The Company continues against the above plan at the time of this report.

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 2020.

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 2020 and the number of meetings attended by each Director / member were:

DIRECTOR'S NAME	BOARD MEETINGS		AUDIT & RISK COMMITTEE	
	A	B	A	B
DOUG RATHBONE	11	11	2	2
KEN RICHARDS	11	9 ^A	N/A	N/A
MATT MORGAN	11	11	2	2
BILL BAUM	11	11	2	2
ALEX BAKER	11	11	2	2

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

Column B is the number of meetings the Director attended

A Ken Richards excluded himself from two meetings due to a potential conflict of interest.

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 an agreement with the company. This summarises the board policies and terms. Non-executive directors' fees are reviewed annually by the board. The board surveys comparable remuneration levels in the external market and makes sure that fees and payments paid reflect the demands that are made and the responsibilities of directors. No retirement benefits accrue, and the company does not pay directors additional fees for chairing board committees.

Shares granted

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

Voting and comments made at the Company's 2019 Annual General Meeting

The company received 94.75% of "yes" votes on its remuneration report for the 2019 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.

Earnings per share

	2020	2019	2018	2017	2016
EPS (cents)	(0.29)	(2.34)	(2.01)	(4.32)	(2.07)
Dividends (cents/share)	-	-	-	-	-
Net profit/(loss) (\$)	(949,976)	(6,778,388)	(4,385,972)	(7,219,515)	(2,606,254)
Share price (\$)	0.02	0.03	0.08	0.11	0.115

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

Employee	Year	Short term employee benefits	Post-employment benefits	Long Term	Termination benefits	Share based payment			Performance Rights	Total	Performance based percentage of remuneration
		Cash salary and fees	Cash bonus ^D	Super-annuation	Long service leave	Termination payments	Shares	Options			
Executive Director											
Alex Baker ^A	2020	228,186	-	21,678	-	-	-	12,111	-	261,975	5%
	2019	160,403	-	6,916	-	-	-	8,118	6,930	182,367	8%
Non-Executive Directors											
Doug Rathbone ^C	2020	84,706	-	4,627	-	-	-	-	-	89,333	0%
	2019	109,059	-	6,941	-	-	-	-	-	116,000	0%
Ken Richards ^B	2020	30,441	-	2,892	-	-	-	10,528^B	-	43,861	24%
	2019	266,667	24,657	27,676	-	-	-	14,646	11,810 ^F	345,456	8%
Matthew Morgan	2020	33,333	-	-	-	-	-	-	-	33,333	0%
	2019	50,000	-	-	-	-	-	-	-	50,000	0%
Bill Baum	2020	33,333	-	-	-	-	-	-	-	33,333	0%
	2019	50,000	-	-	-	-	-	-	-	50,000	0%
Other Key Management Personnel											
Tim Pritchard ^E	2020	85,548	-	16,846	-	-	-	4,956	-	107,350	5%
	2019	161,339	15,982	16,846	-	-	-	10,945	2,020	207,132	6%
Jason Lowry ^F	2020	-	-	-	-	-	-	-	-	-	0%
	2019	163,553	13,699	16,484	-	-	-	13,219	-	206,955	14%
2020 Total		495,547	-	46,043	-	-	-	27,595	-	569,185	
2019 Total		961,021	54,338	74,863	-	-	-	46,928	20,760	1,157,910	

- 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. Mr Richards resigned from his position as Chief Executive Officer and Managing Director on 1 February 2019. He remains on the board as a Non-Executive Director.
- C. 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.
- D. All cash bonuses in 2019 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 cash bonuses were received in 2020 related to performance for the year ended 30 June 2019.
- E. Tim Pritchard resigned as Chief Financial Officer on 30 September 2019 but continued in his role as Company Secretary for the full financial year. The remuneration in the table above includes amounts received as Chief Financial Officer and payments for his role as Company Secretary during the financial year.
- F. 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:

	30 June 2020		30 June 2019	
	Fixed remuneration	At risk Short-Term Incentives (STI)	Fixed remuneration	At risk Short-Term Incentives (STI)
Executive Directors				
Alex Baker	100%	-	100%	-
Non Executive Directors				
Doug Rathbone	100%	-	100%	-
Ken Richards	100%	-	93%	7%
Matt Morgan	100%	-	100%	-
Bill Baum	100%	-	100%	-
Other Key Management Personnel				
Tim Pritchard	100%	-	93%	7%

There was no at-risk component of remuneration for the year ended 30 June 2020. Costs for options and performance rights were related to issues in prior years.

(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	273,750	No fixed term	Six months	Six months

*Base salaries quoted are for the year ended 30 June 2020 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.

Share-based remuneration

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

Grant date	Vesting date	Expiry date	Exercise price	Value ^B	% Vested
Options					
12-Dec-2018^A	1-Feb-2020	1-Feb-2024	\$0.25	\$0.005	100%
	1-Feb-2021	1-Feb-2024	\$0.25	\$0.005	0%
	1-Feb-2022	1-Feb-2024	\$0.25	\$0.005	0%
12-Dec-2018^A	1-Feb-2020	1-Feb-2024	\$0.15	\$0.020	100%
	1-Feb-2021	1-Feb-2024	\$0.15	\$0.020	0%
	1-Feb-2022	1-Feb-2024	\$0.15	\$0.020	0%
14-Sep-2018^A	14-Sep-2019	14-Sep-2023	\$0.15	\$0.020	100%
	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%

- 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. Value per option or performance right at grant date.

All 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.

Options and performance rights held by KMP at 30 June 2020

Name	Number Granted	Grant Date	Value ^A	Number Vested	Year May Vest
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	11 Jan 2016 ^B	\$116,667	777,780	Vested
	194,819 rights	27 Nov 2017 ^E	\$16,949	194,819	Vested
	1,500,000 options	14 Sep 2018 ^F	\$30,286	500,000	14 Sep 2019
A Baker	2,500,000 options	20 Dec 2018 ^G	\$27,450	833,333	1 Feb 2020
T Pritchard	283,333 options	22 May 2018 ^H	\$6,343	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 2020 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 Carlo simulation method.
- 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 managing director 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. No short-term incentive bonuses in respect of the 2020 financial year have been approved 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	2020	Nil%	Nil%	Nil%	Nil%	Nil
	2019	Nil%	Nil%	Nil%	100%	2,500,000 options ^A
K Richards - performance criteria	2020	Nil%	Nil%	Nil%	Nil%	Nil
	2019	Nil%	Nil%	Nil%	Nil%	1,500,000 options ^B
T Pritchard - performance criteria	2020	Nil%	Nil%	Nil%	Nil%	Nil
	2019	Nil%	Nil%	Nil%	Nil%	Nil

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

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

Movement during period					
	Balance 01-07-19	Granted as Compensation	Number Exercised	Number Lapsed	Balance 30-06-20
Year ended 30 June 2020					
Options					
D Rathbone	3,000,000	-	-	-	3,000,000
M Morgan	800,000	-	-	-	800,000
W Baum	800,000	-	-	-	800,000
A Baker	2,500,000	-	-	-	2,500,000
K Richards	1,500,000	-	-	-	1,500,000
T Pritchard	850,000	-	-	(566,667)	283,333
Sub-Total	9,450,000	-	-	(566,667)	8,883,333
Performance Rights					
K Richard	972,599	-	-	-	972,599
A Baker	-	-	-	-	-
T Pritchard	-	-	-	-	-
Sub-Total	972,599	-	-	-	972,599
Total	10,422,599	-	-	(566,667)	9,855,932

Number held at balance date					
	Balance 30-06-20	Total vested 30-06-20	Total Exercisable 30-06-20	Net change other or forfeited	Total Un-Exercisable 30-06-20
Year ended 30 June 2020					
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	-	-
A Baker	2,500,000	833,333	833,333	-	1,666,667
K Richards	1,500,000	500,000	500,000	-	1,000,000
T Pritchard	283,333	283,333	283,333	-	-
Sub-Total	8,883,333	6,216,666	6,216,666	-	2,666,667
Performance Rights					
K Richards	972,599	972,599	972,599	-	-
T Pritchard	-	-	-	-	-
Sub-Total	972,599	972,599	972,599	-	-
Total	9,855,932	7,189,265	7,189,265	-	2,666,667

Shares held by Key Management Personnel

The number of ordinary shares in the Company during the 2020 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out below:

	Balance 30-06-19	Shares issued in lieu of cash remuneration foregone	Conversion of Notes	Other Changes	Held at 30/06/20
M Morgan	1,586,539	-	-	666,680	2,253,219
D Rathbone	3,436,783	-	11,001,370	245,483	14,683,636
W Baum	-	-	-	-	-
A Baker	3,680,173	-	-	262,869	3,943,042
K Richards	17,435,252	-	7,191,164	1,245,374	25,871,790
T Pritchard	133,334	-	-	40,000	173,334
Total	26,272,081	-	18,192,534	2,460,406	46,925,021

End of audited remuneration report.

Indemnification of officers

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

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

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

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

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

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

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

Non-audit services

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

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

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

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

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

	2020	2019
	\$	\$
Audit and review of financial statements - Grant Thornton	55,500	54,163
Taxation compliance services – Grant Thornton	6,000	22,699
Total auditor's remuneration	61,500	76,862

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 20 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
26 October 2020

Alex Baker



Managing director
Brisbane, Queensland, Australia
26 October 2020

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 2020, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



M S Bell
Partner – Audit & Assurance

Brisbane, 26 October 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Other income	6	668,832	3,246,269
Mining lease expenses		(5,799)	(5,024)
Depreciation, amortisation	7	(6,253)	(1,601,036)
Impairment expense		(125,162)	-
Employee benefits expense	7	(154,539)	(1,055,326)
Directors' & officers' fees & CEO		(408,716)	(650,315)
Business operation		(79,881)	(124,446)
Finance expense		(110,373)	(251,971)
Professional fees		(239,600)	(607,043)
Investor relations & corporate advisory		(138,921)	(245,807)
Travel and accommodation		(88,747)	(492,296)
Research and development		(114,404)	(3,362,746)
Patent and licence fees		(119,169)	(135,705)
Share of loss of equity accounted associate	14	(9,032)	(1,477,493)
Other expenses		(18,212)	(15,449)
Loss before income tax		(949,976)	(6,778,388)
Income tax expense		-	-
Loss for the year from continuing operations		(949,976)	(6,778,388)
Loss from discontinued operations		-	-
Loss for the year		(949,976)	(6,778,388)
Other comprehensive income for the year, net of tax		-	-
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		165	81,866
Income tax on items that may be reclassified to profit or loss	8	-	-
Other comprehensive income for the year, net of tax		165	81,866
Total comprehensive loss for the year		(949,811)	(6,696,522)
Earnings per share from continuing operations			
Basic loss per share (cents)	11	(0.29)	(2.34)
Diluted loss per share (cents)	11	(0.29)	(2.34)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020 \$	2019 \$
Current Assets			
Cash and cash equivalents	12, 25(a)	10,725	293,601
Trade and other receivables	13	386,477	2,902,215
Total Current Assets		397,202	3,195,816
Non-Current Assets			
Investments accounted for using the equity method	14	-	-
Property, plant and equipment	15	11,440	28,511
Intangible assets	16	-	-
Total Non-Current Assets		11,440	28,511
Total Assets		408,642	3,224,327
Current Liabilities			
Trade and other payables	17	649,168	1,289,665
R&D Financing Payable	18	-	1,905,722
Promissory Notes Payable	19	-	259,107
Employee benefits	20	188,905	304,688
Provisions	21	50,000	50,000
Total Current Liabilities		880,073	3,809,182
Non-Current Liabilities			
Employee benefits	20	695	753
Total Non-Current Liabilities		695	753
Total Liabilities		888,768	3,809,935
Net Assets		(480,126)	(585,608)
Equity			
Issued capital	22	56,757,178	55,749,498
Reserves	23	927,541	922,969
Accumulated losses	24	(58,164,845)	(57,258,075)
Total Equity		(480,126)	(585,608)

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 2020

	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 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)
Balance at 1 July 2019	55,749,498	(57,258,075)	898,294	24,675	(585,608)
Loss for the year ended 30 June 2020	-	(949,976)	-	-	(949,976)
Other comprehensive income	-	-	-	165	165
Total comprehensive loss for the year	-	(949,976)	-	165	(949,811)
Transactions with owners in their capacity as owners					
Shares issued	1,086,850	-	-	-	1,086,850
Share issue transactions costs	(79,170)	-	40,538	-	(38,632)
Share based payments	-	-	7,075	-	7,075
Cost of share based payments - lapsed options and rights	-	43,206	(43,206)	-	-
As at 30 June 2020	56,757,178	(58,164,845)	902,701	24,840	(480,126)

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 2020

	Notes	2020 \$	2019 \$
Operating activities			
Receipts from customers		-	353,655
Government Income		62,000	-
Payments to suppliers & employees		(1,691,256)	(6,583,852)
Interest received		149	544
Interest paid		(190,558)	-
R&D tax incentive refund		2,827,883	961,192
Net cash from operating activities	25(b)	1,008,218	(5,268,461)
Investing activities			
Payments for investment in equity accounted joint venture		(9,032)	(1,027,165)
Purchase of property, plant and equipment		(3,964)	(700,380)
Net cash from investing activities		(12,996)	(1,727,545)
Financing activities			
Proceeds from issue of share capital		602,197	4,966,000
Share issue transaction costs		(25,133)	(289,445)
Proceeds from borrowings		75,000	2,055,000
Repayment of borrowings		(1,805,000)	-
Payment for loan to associate		(125,162)	-
Net cash from / (used in) financing activities		(1,278,098)	6,731,555
Net (decrease)/increase in cash and cash equivalents		(282,876)	(264,451)
Cash and cash equivalents at the beginning of the financial year		293,601	558,052
Cash and cash equivalents at the end of the financial year	25(a)	10,725	293,601

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 Level 1, 27 James St, Fortitude Valley, Queensland 4006, Australia.

The consolidated financial statements for the year ended 30 June 2020 were approved and authorised for issue by the Board of Directors on 21 October 2020.

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.

For the year ending 30 June 2020, the group has incurred a loss before income tax of \$949,976 (2019: \$6,778,388) and had net cash flows from operations of \$883,056 (2019: (\$5,268,461)) for the period. As at 30 June the group has a net current asset deficiency of \$482,870. These events or conditions indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern, and therefore, the group may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

The spread of novel coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by Governments, regulators and industry sectors. The Australian Federal Government enacted its emergency plan on 29 February 2020 which has seen the closure of Australian borders from 20 March, an increasing level of restrictions on corporate Australia's ability to operate, significant volatility and instability in financial markets and the release of a number of government stimulus packages to support individuals and businesses as the Australian and global economies face significant slowdowns and uncertainties.

The Group has significantly progressed the commercialisation objectives for its lead proprietary technology and stood ready to pursue these objectives towards priority project geographies. However, both the Malaysian and Local Queensland projects were temporarily curtailed continuing through the second half of the financial year due to COVID-19. The Company will continue to review those projects as and when circumstances allow. Business and government activity in Malaysia are recommencing, however foreign nationals, now with limited exceptions, are restricted from entry up to Malaysia until August 31.

The Company responded with due care to the global economic impact of COVID-19 through a range of measures including the directors approved to suspend Directors' fees and modified the CEO's wages. Business operations have been reduced to focus resources and preparedness for progressing the projects and technology as conditions begin to return to normal. Leaf was able to access the ATO boost and Job Keeper programs that provided some additional funds for the period.

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 to transact with a business (the Essential Queensland transaction) that has short term cashflow that reduces the need for significant fund raising and can support commercialisation objectives of the Glycell™ technology and projects as they resolve.

Based on the Company's recent and historic ability to raise capital and the progress of the EQ transaction, 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.

4. Changes in accounting policies

(a) New or amended Accounting Standards and Interpretations adopted

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

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

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 16 Leases

The Group has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Group leases an office space on a month-to-month basis. The Group has applied the practical expedient to exclude leases that are less than 12 months in term from the date of transition. As a result the Group has not recognised a lease liability or right-of-use asset in the statement of financial position and has continued to recognise lease payments as an expense in the statement of profit or loss in respect of this arrangement. There are no other leases held by the Group.

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 2020. 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 31 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.

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) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit loss.

The Group has applied the simplified approach to measuring expected credit losses, which uses lifetime expected loss allowance.

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

Government grant receivable for research and development tax incentive ("R&D") is recognised to the degree that the Group can reliably estimate that R&D expenditure for the full year will fall within the eligibility requirements.

(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 forward looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope include 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.

Classification and measurement of financial liabilities

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.

(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 and other income

The Group recognises revenue as follows:

Revenue from contracts with customers

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

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants

Government grants are recognised at fair value where there is a reasonable certainty that the grant will be received upon meeting the terms and conditions.

During the Coronavirus ('COVID-19') pandemic, the Group has received the job keeper and cash flow boost stimulus support payments from the Australian Government. These have been recognised as other income in the financial statements.

(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) 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.

(r) 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.

(s) 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).

(f) 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 as other income at the reporting date in relation to eligible R&D expenditure during that reporting period.

(u) 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.

(v) 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 \$278,640 which has been lodged 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.

(w) Comparatives

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

6. Other income

	2020	2019
	\$	\$
R&D tax incentive	245,482	2,872,071
Services transferred over time	-	358,440
Government Stimulus	118,000	-
Gain on settlement of liability	293,997	-
Interest income	149	544
Other	11,204	15,214
	668,832	3,246,269

The gain on settlement is due to the derecognition of the financial liability as a result of a renegotiated settlement.

7. Expenses

	Notes	2020	2019
		\$	\$
Depreciation, amortisation and impairment expense			
Depreciation of property, plant and equipment	15	6,253	1,601,036
		6,253	1,601,036
Employee Benefits Expense			
Salaries, wages & bonus		185,770	676,906
Superannuation		15,234	60,160
Share based payments		(16,156)	25,449
Other employee benefits		(30,309)	292,811
		154,539	1,055,326
Expense relating to short term leases		8,579	59,696
Net foreign exchange differences		(17,415)	132,312

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	2020 \$	2019 \$
Loss before income tax		(949,976)	(6,778,388)
Income tax at 27.5% (2019: 27.5%)		(261,243)	(1,864,057)
Loss relating to foreign subsidiary		2,994	406,310
Expenditure not allowable for income tax purposes		18,602	20,891
Movement in unrecognised tax losses and temporary differences		(123,798)	(775,662)
Net expenditure incurred in relation to R&D tax incentive		363,446	1,651,886
Actual income tax benefit		-	-
Income tax refund comprises:			
Current tax expense (income)		-	-
Deferred tax expense (income)		-	-
Income tax benefit		-	-

Losses

At 30 June 2020, the Group has carry forward tax losses of approximately \$25.5 million not brought to account (2019: \$24 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:

- 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;
- the Group continues to comply with the conditions for deductibility imposed by law; an
- no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

Deferred income tax	2020 \$	2019 \$
Deferred tax assets		
-Provisions	26,907	83,996
-Share capital costs	98,344	142,285
-Patents	111,331	86,438
-Legal fees	-	-
-Property, plant and equipment	-	-
-Tax losses	6,929,141	7,011,313
Deferred tax liabilities		
-Accrued income	-	-
Total deferred tax assets	7,165,723	7,324,032

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

	2020 \$	2019 \$
Audit and review of financial statement Grant Thornton	55,500	54,163
Taxation compliance services Grant Thornton	6,000	22,699
Total auditor's remuneration	61,500	76,862

10. Remuneration of key management personnel

Key management personnel compensation:

	2020	2019
	\$	\$
Short-term employee benefits	495,547	1,015,359
Post-employment benefits	46,043	74,863
Share based payments*	27,595	67,688
	569,185	1,157,910

* 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	2020	2019
	\$	\$
Loss attributable to the parent entity used in the calculation of basic and dilutive EPS	(949,976)	(6,778,388)
Loss attributable to the parent entity	(949,976)	(6,778,388)
Weighted average number of ordinary shares		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	328,836,737	289,446,313
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	328,836,737	289,446,313

Calculation of dilutive EPS

As at 30 June 2020 there were:

- 14,744,649 unlisted options and 972,599 unlisted performance rights on issue which have vested; and
- 2,666,667 unlisted options on issue which have not yet vested.

The 9,807,052 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 2019, there were 17,829,895 unlisted options and 972,599 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:

	2020	2019
	\$	\$
Cash at bank and in hand		
Cash held in \$AUD	10,549	291,634
Cash held in \$USD (converted to \$AUD)	67	674
Cash held in EURO (converted to \$AUD)	109	1,293
Cash and cash equivalents	10,725	293,601

13. Trade and other receivables

	2020	2019
	\$	\$
Trade receivables	25,402	21,128
Allowance for expected credit losses	-	-
Net trade receivables	25,402	21,128
GST receivable	14,047	2,749
Prepayments	10,292	4,171
Accrued Government Stimulus	56,000	-
Accrued Income	2,096	2,096
R&D tax incentive refundable	278,640	2,872,071
Total Trade and other receivables	386,477	2,902,215

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. The lifetime expected credit loss is estimated to be nil.

Trade and or other receivables past due at 30 June 2020

	Current	> 30 days	> 60 days	> 90 days
Trade receivables	\$25,402	\$nil	\$nil	\$nil

14. Investments accounted for using the equity method

Movements in Investment in joint venture

	2020	2019
	\$	\$
Opening	-	369,686
Contributions	9,032	1,027,165
Share of loss of joint venture	(9,032)	(1,477,493)
Impairment	-	-
Foreign currency translation	-	80,642
Closing	-	-

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 2020	30 June 2019
Leaf Development, LLC	USA	To develop up to 5 biorefinery plants	80%	80%

The Group has joint control over Leaf Development LLC based on the provisions outlined in the shareholder agreement.

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

	2020	2019
	\$	\$
Current assets	4,416	17,489
Non-Current assets	105,639	350,455
Total Assets	110,055	367,944
Current Liabilities	-	708,891
Non-Current Liabilities	-	-
Total Liabilities	-	708,891
Revenue	-	-
Loss for the year	(404,042)	(1,855,407)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(404,042)	(1,855,407)
Depreciation and amortisation	-	-
Interest Income	-	-
Interest Expenses	-	-
Total expense	(404,042)	(1,855,407)

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

	2020	2019
	\$	\$
Total net assets of Leaf Development, LLC	(110,055)	(340,947)
Proportion of ownership interests held by the Group	80%	80%
Proportion of net assets of Leaf Development, LLC	(88,044)	(272,758)
Add back amounts paid directly by the Parent Company	-	2,986
Adjustment of investment to reflect ownership commitment	88,044	269,772
Carrying amount of the investment in Leaf Development, LLC	-	-

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.

Change in Composition of the Group

In the prior period Leaf Malaysia OpCo Sdn was owned 100% by Leaf Development LLC. On 6 September 2019 Leaf Malaysia OpCo Sdn secured a Malaysian partner to acquire 51% ownership resulting in a 49% ownership by Leaf Development LLC. It has been recognised that Leaf Development LLC has joint control and a loss of \$394,517 has been recognised in the profit and loss of Leaf Development LLC as a result of this transaction.

15. Property, plant and equipment

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

	2020 \$	2019 \$
Plant and equipment		
Cost	887,243	1,292,355
Accumulated depreciation	875,803	(1,263,844)
Total property, plant and equipment	11,440	28,511

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

	2020 \$	2019 \$
Plant and equipment		
Opening written down value	3,735	6,877
Additions	3,965	1,161,987
Transfer from Work in Progress	-	776,614
Disposals	(2,604)	(344,014)
Depreciation	(3,009)	(1,597,729)
Closing written down value, plant & equipment	2,087	3,735
Leasehold improvements		
Opening written down value	2,489	2,868
Additions	-	-
Disposals	(2,173)	-
Depreciation	(316)	(379)
Closing written down value, leasehold improvements	-	2,489
Laboratory equipment		
Opening written down value	22,287	25,215
Additions	-	-
Disposals	(10,006)	-
Depreciation	(2,928)	(2,928)
Closing written down value, laboratory equipment	9,353	22,287
Work in Progress		
Additions	-	776,614
Disposals	-	-
Transfer to Plant and equipment	-	(776,614)
Closing value, work in progress	-	-
Total property, plant and equipment	11,440	28,511

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 are granted as patents.

Provisional applications in the year were filed now as complete application via the PCT route for international filing

International (PCT) Patent Application No. PCT/AU2019/051430 Method of Glycerol Recovery 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 made for Australia and India.

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.

17. Trade and other payables

Trade and other payables consist of the following:

	2020	2019
	\$	\$
Trade payables	588,134	1,213,322
Accruals	42,920	55,823
Other payables	18,114	20,520
Total trade and other payables	649,168	1,289,665

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:

	2020	2019
	\$	\$
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 was repaid in full at the time the company received its R&D tax incentive from the ATO.

19. Promissory notes payable

Promissory Notes payable consists of the following:

	2020	2019
	\$	\$
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 had a three year term, with a simple interest rate of 14% per annum payable at the end of the term, unless the Company exercised its right to repay the capital and accrued interest earlier or is required to do so under the Note terms.

On 20 March 2020 the company issued a total of 750 unsecured notes with a face value of \$100 each to entities associated with a director of the company. The notes had a three year term, with a simple interest rate of 10% per annum payable at the end of the term, unless the Company exercised its right to repay the capital and accrued interest earlier or is required to do so under the Note terms

Under the terms of the notes, the Company elected to convert the both tranches of Notes into fully paid ordinary shares instead of repaying the face value and accrued interest. The conversion was approved at an Extraordinary General Meeting of shareholders on 24 April 2020.

20. Employee benefits

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

	2020	2019
	\$	\$
Current		
Leave entitlements	97,150	143,804
Accrued employee salaries	17,605	105,051
Accrued directors' salaries	74,150	55,833
Total employee benefits	188,905	304,688
Non-Current		
Leave entitlements	695	753
Total non-current employee benefits	695	753
Total employee benefits	189,600	305,441

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 2021. 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:

	2020 \$	2019 \$
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.

	2020 Number	2020 \$	2019 Number	2019 \$
Movements in ordinary share capital				
Balance at beginning of financial year	305,206,674	55,749,498	238,993,342	51,128,441
Cash proceeds from share issue	26,858,732	602,197	66,213,332	4,966,000
Transaction costs	-	(79,170)	-	(344,943)
Issue under share based payments	3,841,204	120,802	-	-
Issue under conversion of related party promissory notes	18,192,534	363,851	-	-
Total contributed equity	354,099,144	56,757,178	305,206,674	55,749,498

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 under a pro-rate rights issue in September 2019 and to sophisticated investors in March 2020 utilising the share placement facility under listing rule 7.1 and 7.1A.

23. Reserves

	Note	2020 \$	2019 \$
Employee equity-settled benefits reserve			
Balance at beginning of the financial year		713,630	1,024,550
Cost of share-based payment		36,933	108,802
Value of exercised options under ESOP		-	-
Value of lapsed options under ESOP		-	(359,792)
Cost of share based payment reversed due to performance condition not met prior to vesting		(29,858)	(59,930)
Balance at the end of the financial year		720,705	713,630
Share based payments reserve			
Balance at beginning of the financial year		184,664	196,008
Cost of share-based payments expensed		-	15,300
Cost of share-based payments as part of share issue transaction costs		40,538	55,498
Value of lapsed options		(43,206)	(82,142)
Balance at the end of the financial year		181,996	184,664
Foreign Currency Translation Reserve			
Balance at beginning of the financial year		24,675	(57,191)
Currency gains recognised on translation of foreign subsidiary's operations		165	81,866
Balance at the end of the financial year		24,840	24,675
Total reserves		927,541	922,969

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

	2020 \$	2019 \$
Opening balance at the beginning of the financial year	(57,258,075)	(50,921,621)
Loss for the year	(949,976)	(6,778,388)
Lapsed share based payments	43,206	441,934
Closing balance at the end of the financial year	(58,164,845)	(57,258,075)

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:

	2020 \$	2019 \$
Cash and cash equivalents	10,725	293,601

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

	2020	2019
	\$	\$
Net loss for the period	(949,976)	(6,778,388)
Adjustments for:		
Depreciation	6,253	1,601,036
Share based payments	7,075	64,172
Non-cash supplier payments	76,760	-
Share of loss of equity accounted investment	9,032	1,477,493
Gain on settlement of liability	(293,997)	-
Share issues for conversion of notes	29,909	-
Disposal of property plant and equipment	14,784	-
Impairment of investment	125,162	-
Net changes in working capital:		
Change in trade and other receivables	2,512,110	(1,886,013)
Change in trade and other payables	(446,799)	102,882
Change in employee benefits	(82,096)	150,357
Change in provisions	-	-
Net cash provided/(used) in operating activities	1,008,218	(5,268,461)

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	2020	2019
	\$	\$
Shares issued to employees	-	-
Shares issued to directors	-	-
Employee share option plan – employees	13,701	43,825
Employee share option plan – directors and officers	22,639	13,219
Employee performance rights plan	-	51,758
Share based payment expenses reversed due to performance condition not met prior to vesting	(29,858)	(59,930)
Subtotal	6,482	48,872
Shares issued to suppliers	-	-
Options issued to joint venture partner	593	15,300
Total share based payment expense	7,075	64,172

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

Employee share option plan (ESOP)

At 30 June 2020 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 \$21,039 is in respect of unlisted 22 May 2018 options, \$12,111 is in respect of unlisted 20 Dec 2018 options. \$29,858 of share based payments was written back due to options lapsing after employees resigning or being terminated.

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 2020.

During the reporting period \$3,500 was expensed in relation to performance rights issued in prior periods.

Outstanding performance rights

The outstanding balance of performance rights as at 30 June 2020 is represented below.

Grant Date	Expiry Date	Exercise Price	Performance rights 2020	Performance rights 2019
27 November 2017	27 November 2022	\$Nil		194,819
11 January 2016	11 January 2021	\$Nil		777,780
Total				972,599

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 2020	WAEP \$ 2020	Number of options 2019	WAEP \$ 2019
Outstanding at the beginning of the year	23,915,579	0.139	11,382,052	0.163
Granted during the year	-	-	49,001,863	0.098
Expired during the year	(4,937,597)	0.09	(36,468,336)	0.092
Forfeited during the year	(1,566,667)	0.15	-	-
Outstanding at the end of the year	17,411,315	0.15	23,915,579	0.139

There were 2,666,667 options that were issued but not vested at 30 June 2020 (6,085,684 unvested at 30 June 2019).

Outstanding options

The outstanding balance of options as at 30 June 2020 is represented below.

Grant Date	Expiry Date	Exercise Price	Share options 2020	Share options 2019
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	333,333
22 May 2018	22 May 2023	\$0.15	783,333	2,350,000
4 October 2018	20 September 2019	\$0.09	-	4,937,597
4 October 2018	20 September 2020	\$0.11	4,937,597	4,937,597
14 September 2018	14 September 2023	\$0.15	1,500,000	1,500,000
20 December 2018	1 February 2024	\$0.15	1,500,000	1,500,000
20 December 2018	1 February 2024	\$0.25	1,000,000	1,000,000
Total			17,411,315	23,915,579

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

	1.77 years	2.47 years
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27. Events subsequent to reporting date

Since 30 June 2020 the following matters have arisen which may significantly affect the operations of the Group:

- On the 16th July the Company announced that it has entered into a conditional Share Sale Agreement to acquire all of the issued capital of Essential Queensland Pty Ltd (EQ), an Australian private company, which utilises proprietary extraction technology to produce sustainable and renewable pine chemicals for sale into global markets.
- This acquisition presents an opportunity to combine the Leaf technology with the EQ technology given the complimentary nature of the two creating a stronger business position to address large and growing global markets for renewable industrial chemical products including pine chemicals.
- The objective is to secure near-term cash earnings and growth opportunities using EQ's technology while providing longer term opportunities based on Glycell™ technology. As part of the preconditions LER and EQ entered into a loan agreement in respect of the advance of \$600,000 by EQ to the Company.
- As noted in the 16 July 2020 release, the acquisition is conditional on the satisfaction of a number of conditions precedent including, the Company obtaining all required shareholder and regulatory approvals necessary for implementation of the Acquisition (including, under the ASX Listing Rules and Corporations Act) and LER re-complying with Chapters 1 and 2 of the ASX Listing Rules and being reinstated to trading on the ASX in accordance with ASX Listing Rule 11.1.3.
- Consequent to the announcement The ASX suspended the Company from quotation on the 16th July.
- The Company continues against the above plan at the time of this report.

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 31.

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 had a three year term, with a simple interest rate of 14% per annum payable at the end of the term, unless the Company exercised its right to repay the capital and accrued interest earlier or is required to do so under the Note terms. Under the terms of the notes, the Company elected to convert the Notes into fully paid ordinary shares instead of repaying the face value and accrued interest. The conversion was approved at an Extraordinary General Meeting of shareholders on 24 April 2020.

On 20 March 2020 the company issued a total of 750 unsecured notes with a face value of \$100 each to entities associated with a director of the company. The notes had a three year term, with a simple interest rate of 10% per annum payable at the end of the term, unless the Company exercised its right

to repay the capital and accrued interest earlier or is required to do so under the Note terms. Under the terms of the notes, the Company elected to convert the Notes into fully paid ordinary shares instead of repaying the face value and accrued interest. The conversion was approved at an Extraordinary General Meeting of shareholders on 24 April 2020.

Leaf entered into a Joint Development Agreement with Gevo Inc in September 2019. The objective was to evaluate the respective technologies to establish a basis for an integrated project in Queensland on a biomass suitable aviation fuel. Bill Baum is a director of both Gevo Inc. and LER. Bill Baum flags a conflict of interest during any Board discussions regarding Gevo Inc.

29. 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 meeting 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	
	2020 %	2019 %	2020 \$	2019 \$
Financial assets held at amortised cost:				
Cash and cash equivalents	0.00	0.00	10,725	293,601
Receivables	-	-	386,477	2,902,215
Total financial assets			397,202	3,195,816
Financial liabilities held at amortised cost:				
Trade payables and accruals	-	-	649,168	1,289,665
R&D financing loan	-	14	-	1,905,722
Promissory notes	-	14	-	259,107
Total financial liabilities			649,168	3,454,494

Interest rate sensitivity

At 30 June 2020, 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% (2019: +/- 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 2020	105	11	105	11
30 June 2019	69	7	69	7

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 2020 had a combined value of AUD\$176.

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.

	Note	Within 1 year	
		2020 \$	2019 \$
Financial assets held at amortised cost:			
Cash and cash equivalents	12, 25a	10,725	293,601
Receivables	13	386,477	2,902,215
Total financial assets		397,202	3,195,816
Financial liabilities held at amortised cost:			
Trade payables and accruals	17	649,168	1,289,665
R&D financing loan payable	18	-	1,905,722
Promissory notes payable	19	-	259,107
Total financial liabilities		649,168	3,454,494

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

	2020 \$	2019 \$
Less than 6 months	649,168	2,338,132
6 months to 1 year	-	1,116,362
	649,168	3,454,494

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.

30. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 30 June 2020.

The commitments for minimum lease payments in relation to operating leases contracted but not capitalised at 30 June 2019 were \$25,835.

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	
				2020 %	2019 %
<i>AQL Mining Pty Ltd</i>	<i>Mining of gravel and general fill</i>	<i>Australia</i>	Ord	100	100
<i>Farmacule BioIndustries Pty Ltd</i>	<i>Research & development</i>	<i>Australia</i>	Ord	100	100
<i>Leaf Sciences Pty Ltd</i>	<i>Intellectual property owner</i>	<i>Australia</i>	Ord	100	100
<i>Leaf Research Pty Ltd</i>	<i>Research & development</i>	<i>Australia</i>	Ord	100	100
<i>Leaf Performance Plan Pty Ltd</i>	<i>Trustee of employee share trust</i>	<i>Australia</i>	Ord	100	100
<i>Leaf Resources USA, LLC</i>	<i>Investor in Leaf Development, LLC</i>	<i>USA</i>	Ord	100	100
<i>Equity accounted for investment</i>					
<i>Leaf Development LLC</i>	<i>Investment Company</i>	<i>USA</i>	Ord	80	80
<i>Leaf Malaysia OpCo Sdn. Bhd.</i>	<i>Investment Company</i>	<i>Malaysia</i>	Ord	49	100

Leaf Malaysia OpCo Sdn is owned 49% by Leaf Developments LLC. Group ownership of Leaf Malaysia equates to 39% based on Leaf Resources ownership in Leaf Developments LLC.

31. Parent entity financial information

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

	Note	2020 \$	2019 \$
Financial Position			
Assets			
Current assets		377,714	3,170,108
Non-current assets	33(i)	35,748	30,411
Total assets		413,462	3,200,519
Liabilities			
Current liabilities		1,297,780	4,249,678
Non-current liabilities		695	754
Total liabilities		1,298,475	4,250,432
Equity			
Issued capital		56,757,178	55,749,498
Share based payments reserve		902,701	898,294
Retained losses		(58,544,892)	(57,697,705)
Total equity		(885,013)	(1,049,913)
Financial Performance			
Loss before income tax		(890,394)	(6,687,502)
Income tax expense		-	-
Total comprehensive loss for the year		(890,394)	(6,687,502)
33(i) Non-current assets			
Loans to subsidiaries		24,178	1,770
Investment in subsidiaries		130	130
Property, plant and equipment		11,440	28,511
		35,748	30,411

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 \$66,802 was recognised by the parent entity in operating loss for the year ended 30 June 2020 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 \$2,486

Loan to Leaf Sciences Pty Ltd – impairment \$64,316

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 2020.

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 2020 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 for the financial year ended 30 June 2020.

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

26 October 2020

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 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 30 June 2020 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.

Material uncertainty related to going concern

We draw attention to Note 3 in the financial statements, which indicates that the Group incurred a net loss of \$949,976 during the year ended 30 June 2020, and as of that date, the Group's current liabilities exceeded its total current assets by \$482,870. As stated in Note 3, 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 Group'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 accounting joint arrangement - Note 5(c) □ Note 14

The Group, through its subsidiary Leaf Resources USA LLC holds an interest in Leaf Development LLC. Leaf Development LLC has been assessed as a joint arrangement in accordance with AASB 11, *Joint Arrangements* and has been equity accounted.

Leaf Development LLC controlled and owned 100% of Leaf Malaysia Op CO Sdn Bhd, however in September 2019 a new shareholder acquired 51% of the equity and it was considered at this point that Leaf Development LLC no longer had control.

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;
- Assessing the accounting for the loss of control in the subsidiary Leaf Malaysia Op CO Sdn Bhd;
- Reviewing management's calculations for the Group's share of the loss for the period and share of net assets as at 30 June 2020; 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 Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.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 17 of the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Leaf Resources Limited, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M S Bell
Partner – Audit & Assurance

Brisbane, 26 October 2020

Shareholder Information

The ASX additional shareholder information set out below was applicable as at 30 June 2020.

1. Distribution of equity security holders:

Holding Distribution

Range	Number of equity security holders	
	Ordinary Shares	Options
100,000 and over	251	12
10,001 to 100,000	340	
5,001 to 10,000	105	
1,001 to 5,000	205	
1 to 1,000	407	
	1,308	12

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	UBS NOMINEES PTY LTD	26,202,984	7.40
2	CITICORP NOMINEES PTY LTD	18,021,248	5.09
3	INVIA CUSTODIAN PTY LTD	13,885,607	3.92
4	BRINCLIFF PTY LTD	12,791,748	3.61
5	MR RUSSELL CHARLES WILSON	12,700,000	3.59
6	KELIRI PTY LTD	12,262,611	3.46
7	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	11,912,815	3.36
8	NARRAWALLEE PROPERTIES PTY LTD	8,500,900	2.40
9	JETAN PTY LTD	8,098,817	2.29
10	GROWTH CAPITAL (WA) PTY LTD	8,033,630	2.27
11	NETWEALTH INVESTMENTS LIMITED	7,939,685	2.24
12	YUNDIE HOLDINGS PTY LTD	7,500,000	2.12
13	AUSTRALIAN BUSINESSPOINT PTY LTD	7,088,094	2.00
14	CLAERIS HOLDCO LLC	5,751,634	1.62
15	MR XUANJUN LIU	5,124,738	1.45
16	MRS LYNN ANDREA MCMULLAN	4,794,354	1.35
17	GENETIC HORIZONS PTY LTD	4,622,923	1.31
18	MR RUSSELL CHARLES WILSON	4,600,000	1.30
19	ALLAN OMANCINI SUPERANNUATION FUND PTY LTD	4,146,046	1.17
20	EGEA PTY LTD	4,000,000	1.13

3. Unquoted equity securities - Options

Expiry Date	Number on issue	Number of holders
Unlisted 1 February 2024	2,500,000	1
Unlisted 14 September 2023	1,500,000	1
Unlisted 20 September 2020	4,937,597	1
Unlisted 22 May 2023	783,333	3
Unlisted 19 March 2023	333,333	1
Unlisted 3 July 2022	800,000	1
Unlisted 23 December 2021	5,000,000	4
Unlisted 1 August 2021	1,557,052	1

4. Substantial holders

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

Shareholder	Number of Ordinary Shares Held	Percentage
Tribeca Investment Partners Pty Ltd	44,617,562	12.60%
Ken Richards	25,871,790	7.31%

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:	Level 1, 27 James Street Fortitude Valley, Queensland, Australia 4006 Telephone: +61 (7) 3193 3000
Auditors:	Grant Thornton Audit Pty Ltd King George Central Level 18 145 Ann Street Brisbane, Queensland, Australia
Stock Exchange:	Leaf Resources Limited shares are listed on the Australian Securities Exchange (ASX)
Bankers:	National Australia Bank Brisbane City Business Bankers Level 22, 100 Creek Street Brisbane, Queensland, Australia 4000
Share Registry:	Link Market Services 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

