

# Appendix 4E

## Preliminary Final Report to the Australian Stock Exchange

<b>Name of Entity</b>	Leaf Resources Limited
<b>ABN</b>	18 074 969 056
<b>Financial Year Ended</b>	30 June 2022
<b>Previous Corresponding Reporting Period</b>	30 June 2021

### Results for Announcement to the Market

	<b>\$'000</b>	<b>Percentage increase / (decrease) over previous corresponding period</b>
Revenue from ordinary activities	181	409% increase
Profit / (loss) after tax attributable to members	(6,032)	34% decrease
Net profit / (loss) for the period attributable to members	(6,032)	34% decrease

### Financial Statements

#### **Statement of comprehensive income together with notes to the statement:**

Refer attached Annual Report

The Group has not recognised the deferred tax asset in the financial statements related to approximately \$29.4m of carry forward tax losses (refer Annual Report Consolidated Statement of Profit or Loss and Other Comprehensive income and Note 12 to the Financial Statements). However, the Group has received formal advice that these carry forward tax losses as at 30 June 2022 are available to be carried forward to offset against future taxable income.

#### **Statement of financial position together with notes to the statement:**

Refer attached Annual Report

#### **Statement of cash flows together with notes to the statement:**

Refer attached Annual Report

An amount of approximately \$1.9m of R&D tax incentive has been recognised (refer Annual Report Consolidated Statement of Profit or Loss and Other Comprehensive), this cash rebate amount had not been received as at 30 June 2022.

#### **Statement of retained earnings, or a statement of changes in equity, showing movements:**

Refer attached Annual Report

## Dividends

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	0.0 cents	0.0 cents
Interim Dividend	0.0 cents	0.0 cents
Record date for determining entitlements to the dividends (if any)	Not applicable	
<b>Date the dividend is payable</b>	Not applicable	
<b>Record date to determine entitlement to the dividend</b>		
<b>Amount per security</b>		
<b>Total dividend</b>		
<b>Amount per security of foreign sourced dividend or distribution</b>		
<b>Details of any dividend reinvestment plans in operation</b>		
<b>The last date for receipt of an election notice for participation in any dividend reinvestment plans</b>		

## NTA Backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	0.42 cents	0.30 cents

## Details of Entities over which Control has been gained or lost during the period

Refer to Note 39 to the Financial Statements in the attached Annual Report

## Details of Associated and Joint Venture Entities

Refer to Note 33 and 39 to the Financial Statements in the attached Annual Report

## Other Significant Information Needed by an Investor to Make an Informed Assessment of the Entity's Financial Performance and Financial Position

Refer attached Annual Report

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## Commentary on the Results for the Period

Refer attached Annual Report

### Returns to shareholders including distributions and buy backs:

Not applicable

### Significant features of operating performance:

Refer to the Directors' Report in the attached Annual Report

### The results of segments that are significant to an understanding of the business as a whole:

Refer to Note 4 to the Accounts (Operating segments) in the attached Annual Report

### Discussion of trends in performance:

Refer to the Directors' Report in the attached Annual Report

### Any other factor which has affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified:

Refer to the Directors' Report in the attached Annual Report

## Audit/Review Status

### This report is based on accounts to which one of the following applies:

(Tick one)

The accounts have been audited	✓	The accounts have been subject to review	
The accounts are in the process of being audited or subject to review		The accounts have not yet been audited or reviewed	

### If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:

Not Applicable

### If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:

Not Applicable

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**Attachments Forming Part of Appendix 4E**

Attachment #	Details
1	Audited Annual Report for the year ended 30 June 2022

.....  
Drew Speedy  
Company Secretary  
By Order of the Board  
29 August 2022

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# ANNUAL REPORT

2022

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**LEAF**  
RESOURCES

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**Grant Thornton Audit Pty Ltd**

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

## 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 2022, 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 2022 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

##### Basis for opinion

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

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

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### 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 \$6,032,263 and had negative cash flows from operating activities of \$4,179,954 during the year ended 30 June 2022, and as of that date, the Group's current liabilities exceeded its current assets by \$609,917. As stated in Note 3, these events or conditions, along with other matters including the Apple Tree Creek Plant incident as set forth in Note 7, 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

#### Apple Tree Creek Plant Incident – Notes 7, 17, 35 & 36

On 12 November 2021, an explosion occurred at the Group's Apple Tree Creek Pine Chemical Plant. The incident resulted in significant damage to plant and equipment and injury to some on-site personnel.

Accounting for the incident required consideration of the following standards:

- Impairment and disposal of property, plant and equipment in line with *AASB 136 Impairment of Assets*;
- Accounting for insurance recoveries in line with *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*; and
- Accounting for potential fines or penalties in line with *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*.

The impact of this incident is pervasive to the financial statements. It is considered a key audit matter due to the judgement and estimation involved in determining the appropriate accounting treatment and disclosures in the financial report.

Our procedures included, amongst others:

- Reviewing Management's internal paper detailing the impact of the incident and proposed accounting treatment and assessing it for compliance with the accounting standards;
- Reviewing and challenging Management's assessment of impairment indicators under AASB 136;
- Reviewing Management's impairment model for compliance with AASB 136 and challenging key assumptions and inputs determined by Management, including:
  - Assessing Management's determination of a single cash-generating unit ("CGU");
  - Evaluating the appropriateness of using market capitalisation as an estimate of fair value, particularly with consideration to the timing that the Group performed the capital raise in July 2022 and recommenced trading on the ASX on 21 July 2022;
  - Assessing the results of sensitivity analysis performed by evaluating the impact that fluctuating share prices have on the market capitalisation and, therefore, the recoverable amount; and
  - Consulting with internal financial reporting experts on the appropriateness of using the market approach to measure fair value less cost of disposal ("FVLCD") to estimate the recoverable amount of the CGU.
- Reviewing correspondence between the Group and regulatory authorities and insurers to support Management's conclusion with respect to the existence of any contingent assets or contingent liabilities at year-end;
- Evaluating the accounting treatment for replacement assets purchased during the year but are not yet available for use;

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**Key audit matter**
**How our audit addressed the key audit matter**

- Reviewing Management's internal paper regarding the impact of the incident on the Altor Loan Agreement, specifically regarding any covenants and event of default clauses; and
- Assessing the appropriateness and adequacy of disclosures included in the financial report.

**R&D Tax Incentive – Notes 4, 5 & 14**

Under the Research and Development (R&D) Tax Incentive scheme, the Group receives a 43.5% refundable tax offset of eligible expenditure.

The Group has assessed these activities and related expenditures to determine their eligibility under the incentive scheme. The R&D Tax Incentive receivable recorded as at 30 June 2022 was \$1,942,832 and was recognised as other income in the statement of profit or loss for the year ended 30 June 2022.

This is highly material to the financial report, and measuring the incentive requires a degree of judgement and interpretation of R&D tax legislation by management. Hence, we considered this to be a key audit matter.

Our procedures included, amongst others:

- Enquiring with management to obtain and document an understanding of the process used to estimate the claim;
- Evaluating the competence, capabilities and objectivity of management's expert;
- Utilising an internal R&D tax specialist to review the expenditure methodology employed by management for consistency with the R&D tax incentive rules;
- Considering the nature of the expenditure against the eligibility criteria of the R&D tax incentive scheme to assess whether the expenses included in the estimate were likely to meet the eligibility criteria;
- Comparing the eligible expenditure used in the receivable calculation to the expenditure recorded in the general ledger;
- Inspecting copies of relevant correspondence with AusIndustry and the ATO related to historic claims; and
- Assessing the appropriateness of the related financial statement disclosures.

**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 2022, 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.

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### 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: [https://www.auasb.gov.au/auditors\\_responsibilities/ar1\\_2020.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf). This description forms part of our auditor's report.

### Report on the remuneration report

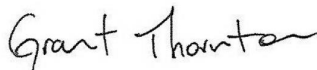
#### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 17 to 23 of the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Leaf Resources Limited, for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M C Bragg  
Partner – Audit & Assurance

Brisbane, 26 August 2022

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## Chairman's and Managing Director's Message

Firstly, a wholehearted thank you to all our shareholders and staff, both old and new, for the confidence you have shown in Leaf Resources Limited as we have worked through the 2022 financial year challenges and prepare for the next exciting stages of the Company's journey.

The 2022 financial year was a year where resilience was displayed across our business team, operational staff, customers, suppliers and all stakeholders, as we regrouped post the plant explosion incident. The Company recognises the risks of industrial manufacturing, but we are steadfast in our belief that everyone should be able to come to work and be safe. Hence an additional range of safety improvements has been structured into the way we now operate. Leaf Resources Limited is now firmly focused on a clear new company strategy supported by a bigger plant, with extensive improvement across engineering, health and safety, and production processes.

The timing of Leaf Resources Limited's re-commencement of pine chemical production could not be more advantageous as we see daily, an increasing global demand for naturally and sustainably produced products to replace petrochemicals across a growing array of industries including food products, car tyres, cosmetics, adhesives, rubbers, paints, fuels and more. The demand for Leaf Resources Limited's products is estimated to be growing at an average annual compound rate of 5% per annum to 2027 and the addressable market for our pine chemical products is estimated at US\$10 billion<sup>1</sup>. Leaf is very well placed for this market opportunity.

Along with the growth we see for the business, we are also exceptionally proud to be contributing to a cleaner, greener economy both locally in our nearby operating community but also as an Australian business whose ethos is rooted in environmental sustainability – our products come from whole pine trees and stumps that are wholly utilised, and every tree processed is replaced by a new planting – efficiently closing the harvesting-manufacturing loop. Our sustainable products have the potential to replace petroleum chemicals and thereby helping to remove carbon emissions from our environment. This is something that shareholders can feel good about.

Recently the Company completed a fundraising round that secured \$5.1 million via a placement to new and existing shareholders. Along with received-to-date insurance payments of \$1.4 million and convertible note issue that raised another \$1.5 million as well as the expectation of a further \$1.9 million in R&D rebate later in the year, Leaf Resources Limited is now very well-funded to re-commence operational production in line with the Company's schedule.

With this incredibly challenging year, containing ongoing COVID interruption and post-explosion re-grouping now behind us, We now look fully forward to bringing all shareholders further positive and progressive news over the course of the year ahead as we move towards production of our uniquely produced sustainable pine chemical products to supply growing global and environmentally responsible markets.

Ray Mountfort, Managing Director

Ken Richards, Chairman

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<sup>1</sup> PCA industry report Global Impact of Modern Pine Chemical Industry 2019

## Review of Operations

### Incident at Apple Tree Creek

On 15 November 2021, Leaf Resources Limited requested a trading halt of its securities after experiencing an explosion at its Apple Tree Creek chemical plant ('site' or 'Plant'). On 17 November 2021, the ASX granted the Company voluntary suspension. The explosion occurred at approximately 9.45pm on Friday 12 November 2021 and five personnel were on site at the time. Leaf Resources Limited resumed trading on the ASX on 21 July 2022.

The explosion resulted in injuries, with one contractor taken to the Bundaberg Hospital with serious facial injuries and burns while another employee was treated with minor injuries.

Workplace Health and Safety officers have been on site investigating the cause of the accident. Leaf is continuing to co-operate with WorkSafe Queensland on this investigation.

### Plant recovery and commissioning

In May 2022, Leaf acquired key replacement equipment with a capacity to produce up to 16,000tpa of Leaf's natural and renewable pine chemical products. Leaf's new plant, currently in New Zealand, is being dismantled, chemically cleaned, water blasted and repainted.

Key components will be ready for shipment in the September 2022 quarter. It is anticipated that post shipment and subsequent rebuild at its new Queensland site, commissioning will take place in the March 2023 quarter, with sales of the first pine chemical expected to commence during the same quarter.



*Leaf Resources Limited's replacement equipment in New Zealand, May 2022*

### **Pine Stump Trials**

Pine stump processing is successfully confirming that the higher yielding pine stumps are a suitable feedstock, which significantly increases the availability of wood supply for Leaf's unique pine chemical manufacturing process.

A 1,000-tonne processing trial of stumps has been completed, to optimise the handling, and processing of stumps and to maximise the productivity of feedstock supply at the Apple Tree Creek plant.

Leaf has pleasingly confirmed that a 100kg pine stump can be extracted and processed within 1 minute, allowing for further upside to project unit economics. These outcomes confirm ample economic supply of stumps are available from the surrounding forest for all planned expansions.



### **Sustainability**

Leaf Resources Limited's unique patented-processing technology for extracting pine chemicals only uses steam and the trees own natural chemicals as the solvent. Furthermore, Leaf Resources Limited only utilises Forest Stewardship Council certified forests ensuring that for every tree harvested another is planted.

### **Health and safety**

Leaf Resources Limited strives to achieve and maintain a zero-harm workplace. It engaged APS in March 2022, a specialised and independent agency to develop and implement an improved safety policy.

Health and Safety is monitored via regular internal and external audits to ensure the company meets stringent quality and safety requirements.

# Corporate Update

## July 2021 Capital Raising

Leaf Resources Limited undertook a \$8,000,000 capital raising to fund capital expansion of production capacity. The capital raising was undertaken at \$0.10 and resulted in the issue of 80,000,000 ordinary shares. The capital raising was strongly supported by a range of institutional and sophisticated investors across Australia and New Zealand, representing both new and existing shareholders.

## May 2022 Capital Raising

### Altor Capital Pty Ltd loan facility

The Company amended the loan facility with Altor Capital Pty Ltd during May 2022. The amendment allowed Leaf to redraw an additional \$500,000 under the facility that was used to secure key replacement equipment. The advance was repaid before the end of May 2022, and details of the advance are included in Note 20. In return for the advance, the Company agreed to cancel Altor Capital Pty Ltd's 4,000,000 share options, and issue 10,000,000 share options at an exercise price of \$0.04 per share. Details of the share-based payment are included in Note 34.

### Convertible notes raise

The Company issued 1,510,000 convertible notes to external investors at a face value of \$1.00 per note. The subscription sum accrued interest equal to 1.00% per month until the conversion date. The notes were converted into shares during July 2022, at a conversion price of \$0.027 per share. During July 2022, all parties agreed to a variation on the convertible notes deed where noteholders would receive one share option for every two shares acquired as part of the conversion, at an exercise price of \$0.045 per option and with an expiry date of 31 August 2023. The issue of options is dependent on shareholder approval which is yet to be confirmed at the release date of this Annual Report. Details of the convertible notes are included in Notes 20 and 21.

## July 2022 Capital Raising

The Company undertook a \$5,100,000 capital raising to fund the rebuild of the Apple Tree Creek site. The capital raising was undertaken at \$0.03 and resulted in the issue of 156,666,667 ordinary shares in July, and an additional 13,333,333 ordinary shares that are committed to be issued in September 2022. The capital raising was strongly supported by a range of institutional and sophisticated investors across Australia and New Zealand, representing both new and existing shareholders. Participants in the capital raising also received one share option for every two shares acquired as part of the capital raise, at an exercise price of \$0.045 per option and with an expiry date of 31 August 2023. The issue of options is dependent on shareholder approval which is yet to be confirmed at the release date of this Annual Report.

## R&D Tax Incentive

The Company received \$2,521,218 in respect to their entitlements under the R&D tax incentive program for the 2021 financial year. Part of these funds were used to settle the R&D financing loans received from Radium Capital.

The Company has completed its review of eligible R&D expenditure for the 2022 financial year and has included a receivable of \$1,942,832 which will be used to rebuild the Apple Tree Creek site as well as future working capital requirements.

## Outlook for 2022-23

Following the share placement and note conversion raising \$6.6 million, the Company is on track to double production targets to 16,000 TPA.

Leaf Resources Limited's upgraded plant has been designed for purpose and has been engineered to meet strict health and safety compliance requirements. Securing this equipment has reduced the time to production as the equipment is already manufactured, saving 9-12 months.

Leaf Resources Limited has engaged consultants for the supply of multidisciplinary engineering leadership and project management of the design and implementation of a safe, reliable, and operable plant to optimise resin yields. In addition, links have been established with University of Queensland to support improvements to yield and general chemistry optimisation using a whole of tree approach.

Yasuhara Chemicals Co. Ltd has reaffirmed offtake agreement for market leading terpene products. While the market demand continues to grow with a steady stream of enquiries. The addressable market for rosin and terpenes is over US\$10 billion<sup>2</sup> per annum along with expected compound annual growth rate of 5% through to 2027<sup>3</sup>.

The Company has many expansion opportunities to increase production beyond 16,000tpa and each opportunity is being reviewed on its merits.

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<sup>2</sup> PCA industry report Global Impact of Modern Pine Chemical Industry 2019

<sup>3</sup> Fact.MR Pine Chemicals Market Forecast, Trend Analysis & Competition Tracking - Global Market Insights 2019 to 2027 Feb 2020; Executive Summary

# Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity consisting of Leaf Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2022.

## Directors

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

### **KEN RICHARDS**

#### **Chairman**

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

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

Ken was previously the Managing Director of Leaf Resources Limited (ASX: LER).

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

**Chairman:** Appointed 22 December 2020

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

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

**Member of the Audit and Risk Committee:** Appointed 28 January 2021

**Other current listed directorships:** None

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

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

### **RAMON MOUNTFORT**

#### **Managing Director**

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

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

**Managing Director:** Appointed 22 December 2020

**Other current listed directorships:** None

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

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

## **GRANT YEATMAN (resigned 21 July 2022)**

### **Executive Director**

Mr Yeatman is a co-founder having been involved in EQ since starting in Australia, providing guidance on IP development, management and growth of the company. Grant brings extensive processing, management, marketing, supply chain & logistics as well as R & D experience from both this project and the US oil industry. Grant is still active in the management of investment funds and owns part of wastewater disposal companies in the USA. He holds an Honours Degree in Strategic Management and Marketing alongside his experience as an import/export customs broker.

**Executive Director:** Appointed 22 December 2020

**Other current listed directorships:** None

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

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

## **TERENCE GRAY**

### **Executive Director**

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

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

Mr Gray has deep knowledge of funds management and the Australian equity market providing expertise in company valuation, corporate financing and M&A activity.

**Executive Director:** Appointed 1 January 2021

**Non-Executive Director:** Appointed 22 December 2020

**Member of the Audit and Risk Committee:** Appointed 28 January 2021

**Other current listed directorships:** Nil

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

**Interests in shares, options and performance rights at the date of this report:** 23,505,357 ordinary shares, 16,500,000 performance rights

## **DOUGLAS RATHBONE**

### **Non-Executive Director**

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

Doug joined the Board of 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 and resigned 21 December 2020

**Member of the Audit and Risk 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 at the date of this report:** 18,582,942 ordinary shares

## **DREW SPEEDY**

### **Company Secretary**

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

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

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

**Company Secretary:** Appointed 1 June 2020

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

## Principal activities

During the year, the principal activities of entities within the Group were the construction and commissioning of the Apple Tree Creek Plant. After the explosion at the Apple Tree Creek Plant in November 2021, the Group has commenced with planning the recovery of the plant and has secured essential pieces of equipment for the rebuild.

## Operational and financial results

The 2022 financial year was one of resilience for the Company. The incident at the Apple Tree Creek Plant during November 2021 has set back the commissioning of the factory as well as the moral of the staff that has contributed in building the Company up to that date. Since the incident, management has started planning the rebuild of the plant and has secured replacement equipment in New Zealand, which is currently being dismantled and prepared for shipping to Australia.

Leaf Resources Limited continues to be inundated with interested parties for the production of pine tree chemicals. This is prevalent in the financial support the Company has received throughout the 2022 financial year and thereafter.

The Group's operating loss for the year ended 30 June 2022 amounted to \$6,032,263 (30 June 2021: \$9,074,136 loss).

## Significant changes in the state of affairs

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

- Incident at the Apple Tree Creek Plant;
- Capital raising of \$8 million during July 2021, and subsequent raising of \$1.5million in May 2022 through the issue of convertible notes;
- Planning for the recovery of the Apple Tree Creek Plant, including the acquisition of equipment with increased production capacity.

## Events arising since the end of the reporting period

Since 30 June 2022, the following matters have arisen which may significantly affect the operations of the Group:

- On 21 July 2022, the Company announced the completion of a share placement raising \$5.1million before costs through the issue of 156,666,667 ordinary shares at an issue price of \$0.03, and with an additional 13,333,333 ordinary shares that are committed to be issued in September 2022. The Company also resumed trading on the ASX on the same date. Participants in the capital raising also received one share option for every two shares acquired as part of the capital raise, at an exercise price of \$0.045 per option and with an expiry date of 31 August 2023. The issue of options is subject to shareholder approval which is yet to be confirmed at the release date of this Annual Report.
- On 21 July 2022, 1,510,000 convertible notes were converted into ordinary shares at a conversion price of \$0.027 per share. The convertible notes had a \$1.00 face value, and 55,925,935 shares were issued as part of the conversion. The noteholders also received one share option for every two shares received as part of the conversion. The share options are exercisable at \$0.045 each on or before 31 August 2023. The issue of the options is subject to shareholder approval which is yet to be confirmed at the release date of this Annual 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 2022.

## 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 2022 and the number of meetings attended by each Director / member were:

DIRECTOR'S NAME	BOARD MEETINGS		AUDIT & RISK COMMITTEE	
	A	B	A	B
KEN RICHARDS	16	16	3	3
DOUG RATHBONE	16	15	3	3
RAMON MOUNTFORT	16	16	N/A	N/A
GRANT YEATMAN	16	15	N/A	N/A
TERENCE GRAY	16	16	3	3

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

Column B is the number of meetings the Director attended

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# 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 has been prepared for the period 1 July 2021 to 30 June 2022.

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 non-market-based performance conditions linked to the executive's medium to long term incentives. 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 2022 Annual General Meeting

The company received 98.3% of "yes" votes on its remuneration report for the 2022 financial year. The company did not receive any specific feedback at the annual general meeting on its remuneration report.

### Earnings per share

	2022	2021	2020	2019	2018
EPS (cents)	(0.38)	(0.72)	(0.29)	(2.34)	(2.01)
Dividends (cents/share)	-	-	-	-	-
Net profit/(loss) (\$)	(6,032,263)	(9,074,136)	(949,976)	(6,778,388)	(4,385,972)
Share price (\$)	0.08 <sup>A</sup>	0.11	0.02	0.03	0.08

A. At 30 June 2022, the Company was on voluntary suspension from the ASX. The Company entered voluntary suspension on 12 November 2021, as a result of the incident at the Apple Tree Creek Plant, when the Company's shares were trading at \$0.08. On 21 July 2022, the Company resumed trading on the ASX and the opening share price was \$0.032. The Company also completed share placement at \$0.03 per share on the same date.

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

The key management personnel of the consolidated entity consisted of the following directors of Leaf Resources Limited:

- Ramon Mountfort- Executive Director
- Grant Yeatman- Executive Director
- Terence Gray- Executive Director
- Doug Rathbone- Non-Executive Director
- Ken Richards- Non-Executive Director

And the following persons:

- Drew Speedy – Company Secretary and Chief Financial Officer

Changes since the end of the reporting period:

Grant Yeatman resigned as Executive Director on 21 July 2022.

Employee	Year	Short term employee benefits		Post-employment benefits	Long Term	Termination benefits	Share based payment			Total	Performance based percentage of remuneration
		Cash salary and fees	Cash bonus	Super-annuation	Long service leave	Termination payments	Shares	Options	Performance Rights		
<b>Executive Director</b>											
Ramon Mountfort <sup>A</sup>	<b>2022</b>	<b>301,154</b>	-	<b>30,133</b>	-	-	-	-	-	<b>331,286</b>	<b>0%</b>
	2021	161,526	-	15,345	-	-	-	-	-	176,871	0%
Grant Yeatman <sup>B</sup>	<b>2022</b>	<b>200,769</b>	-	<b>20,089</b>	-	-	-	-	<b>53,391</b>	<b>274,249</b>	<b>19%</b>
	2021	107,684	-	10,230	-	-	-	-	27,800	145,714	19%
Terence Gray <sup>C</sup>	<b>2022</b>	<b>180,000</b>	-	<b>6,000</b>	-	-	-	-	<b>53,391</b>	<b>239,391</b>	<b>22%</b>
	2021	91,613	-	3,003	-	-	-	-	27,800	122,416	23%
Alex Baker <sup>D</sup>	<b>2022</b>	-	-	-	-	-	-	-	-	-	<b>0%</b>
	2021	95,161	-	9,040	-	-	-	4,015	-	108,217	4%
<b>Non-Executive Directors</b>											
Doug Rathbone <sup>E</sup>	<b>2022</b>	<b>60,000</b>	-	<b>6,000</b>	-	-	-	-	-	<b>66,000</b>	<b>0%</b>
	2021	81,375	-	6,306	-	-	-	-	-	87,681	0%
Ken Richards <sup>F</sup>	<b>2022</b>	<b>120,000</b>	-	<b>12,000</b>	-	-	-	<b>700</b>	-	<b>132,700</b>	<b>1%</b>
	2021	90,952	-	8,640	-	-	-	246,422	-	346,015	71%
Bill Baum <sup>G</sup>	<b>2022</b>	-	-	-	-	-	-	-	-	-	<b>0%</b>
	2021	23,790	-	-	-	-	-	-	-	23,790	0%
<b>Other Key Management Personnel</b>											
Drew Speedy <sup>H</sup>	<b>2022</b>	<b>132,000</b>	-	-	-	-	-	-	<b>159,416</b>	<b>291,416</b>	<b>55%</b>
	2021	56,581	-	-	-	-	-	-	-	56,581	0%
<b>2022 Total</b>		<b>993,923</b>	-	<b>74,221</b>	-	-	-	<b>700</b>	<b>266,198</b>	<b>1,335,042</b>	
<b>2021 Total</b>		<b>708,682</b>	-	<b>52,565</b>	-	-	-	<b>250,438</b>	<b>55,600</b>	<b>1,067,284</b>	

- A. Mr Ramon Mountfort was appointed as Managing Director on 22 December 2020 following completion of the acquisition of Essential Queensland Pty Ltd.
- B. Mr Grant Yeatman was appointed as Executive Director on 22 December 2020 following completion of the acquisition of Essential Queensland Pty Ltd.
- C. Mr Terence Gray was appointed as Non-Executive Director on 22 December 2020 following completion of the acquisition of Essential Queensland Pty Ltd. On 1 January 2021 Mr Gray was appointed as Business Development Manager.
- D. Mr Alex Baker resigned from his position as Managing Director on 22 December 2020 following completion of the acquisition of Essential Queensland Pty Ltd. Following his resignation Mr Baker ceased to meet the criteria of a Key Management Personnel for reporting purposes.
- E. Mr Doug Rathbone had accrued earnings totalling \$37,989 owed to him on 30 June 2022.
- F. Mr Ken Richards had accrued earnings totalling \$18,862 owed to him on 30 June 2022.
- G. Mr Bill Baum resigned from his position as Non-Executive Director on 22 December 2020 following completion of the acquisition of Essential Queensland Pty Ltd. Following his resignation Mr Baum ceased to meet the criteria of a Key Management Personnel for reporting purposes.
- H. Mr Drew Speedy was appointed as CFO on 22 December 2020 following completion of the acquisition of Essential Queensland Pty Ltd and Company Secretary from 1 June 2021.

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

	30 June 2022		30 June 2021	
	Fixed remuneration	At risk Short-Term Incentives (STI)	Fixed remuneration	At risk Short-Term Incentives (STI)
<b>Executive Directors</b>				
Ramon Mountfort	50%	50%	50%	50%
Grant Yeatman	100%	-	100%	-
Terence Gray	100%	-	100%	-
Alex Baker	N/A	-	100%	-
<b>Non-Executive Directors</b>				
Ken Richards	100%	-	100%	-
Doug Rathbone	100%	-	100%	-
Bill Baum	N/A	-	100%	-
<b>Other Key Management Personnel</b>				
Drew Speedy	100%	-	100%	-

For each cash bonus included in the remuneration table, the percentage of the available bonus or grant that was paid, or that vested in the financial year, and the percentage that was forfeited because the service and performance criteria was not met is set out below. Short term incentive bonuses are paid in cash. No short-term incentive bonuses in respect of the 2022 financial year have been approved by the Board.

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2022	2021	2022	2021
Ramon Mountfort	0%	0%	100%	100%

### (c) Service agreements

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

Name	Base salary including superannuation*	Term of agreement	Notice period	Termination payments**
<b>R Mountfort</b>	330,000	No fixed term	Six months	Six months
<b>G Yeatman</b>	220,000	No fixed term	Six months	Six months
<b>T Gray</b>	186,000	12 Months	28 days	Nil
<b>D Speedy</b>	132,000	No fixed term	Three months	Three months

\*Base salaries quoted are for the year ended 30 June 2022, they are reviewed annually by the board.

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

#### (d) Share-based remuneration

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

Grant date	Vesting date	Expiry date	Exercise price	Value <sup>B</sup>	% Vested
<b>Options</b>					
<b>14-Sep-2018<sup>A</sup></b>	14-Sep-2019	14-Sep-2023	\$0.177	\$0.020	100%
	14-Sep-2020	14-Sep-2023	\$0.177	\$0.020	100%
	14-Sep-2021	14-Sep-2023	\$0.177	\$0.020	100%
<b>22-Dec-2020<sup>D</sup></b>	22-Dec-2020	31-Oct-2021	\$0.03	\$0.0046	100%
<b>17-Feb-2020</b>	17-Feb-2020	1-Mar-2025	\$0.023	\$0.0108	100%
<b>Rights</b>					
<b>27-Nov-2020<sup>A</sup></b>	3-Aug-2023	3-Aug-2023	Nil	\$0.02	0%
<b>16-Sep-2021<sup>C</sup></b>	1-Jul-2022	30-Sep-2022	Nil	\$0.08	0%

- A. Rights or options granted with non-market performance and retention conditions to be met by the expiry date.
- B. Fair value per option or performance right at grant date.
- C. Rights granted with non-market performance and retention conditions to be met by the expiry date. Service conditions for the Performance Rights require the rights holder to remain contracted to the Company until 1 July 2022.
- D. Options were exercised in full during the 2022 financial year.

All options and rights are over ordinary shares in the Company, which are exercisable on a one-for-one basis under the terms of the agreements. Options are granted under the employee share option plan and performance rights granted to the executive directors 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.

The executive directors' rights will vest on the satisfaction of non-market performance conditions and continued employment conditions. Upon vesting, each rights allows the holder to exercise into one ordinary share of the Company for no consideration prior to the expiry date. The rights carry no dividends or voting rights and when exercisable, each right is convertible into one ordinary share. The rights were provided at no cost to the recipient. All rights 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 2022

Name	Number Granted	Grant Date	Value <sup>A</sup>	Number Vested	Year May Vest
K Richards	1,275,000 options 24,750,000 options	14 Sep 2018 <sup>B</sup> 17 Feb 2020 <sup>C</sup>	\$30,286 \$267,408	1,275,000 24,750,000	Vested Vested
G Yeatman	16,500,000 rights	27 Nov 2020 <sup>D</sup>	\$165,000	Nil	3 Aug 2023
T Gray	16,500,000 rights	27 Nov 2020 <sup>D</sup>	\$165,000	Nil	3 Aug 2023
D Speedy	2,000,000 rights	16 Sep 2021 <sup>E</sup>	\$160,000	Nil	1 July 2022

- 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 2022 is included in the remuneration tables above. Fair values of options at grant date are determined using Black Scholes option pricing model that takes into account various input assumptions. Fair values of performance rights with non-market-based performance conditions are valued based on the spot price at grant date and an assessment of the probability of non-market based vesting conditions being met are considered by the Board at each reporting date.
- B. Options issued to K Richards and approved by shareholders at an extraordinary general meeting on 14 September 2018.
- C. Options issued to Directors by K Richards at a general meeting on 17 February 2020.
- D. Performance Rights issued to directors at an extraordinary general meeting on 27 November 2020.
- E. Performance Rights issued to CFO of the company and approved by the board on 16 September 2021. Service conditions for the Performance Rights require D Speedy to remain contracted to the Company until 1 July 2022.

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

Movement during period					
	Balance 01-07-21	Granted as Compensation	Number Exercised	Number Expired	Balance 30-06-22
<b>Year ended 30 June 2022</b>					
<b>Options</b>					
K Richards	35,730,861	-	(9,705,861)	-	26,025,000
D Rathbone	2,550,000	-	-	(2,550,000)	-
<b>Sub-Total</b>	<b>38,280,861</b>	<b>-</b>	<b>(9,705,861)</b>	<b>(2,550,000)</b>	<b>26,025,000</b>
<b>Performance Rights</b>					
G Yeatman	16,500,000	-	-	-	16,500,000
T Gray	16,500,000	-	-	-	16,500,000
D Speedy	-	2,000,000	-	-	2,000,000
<b>Sub-Total</b>	<b>33,000,000</b>	<b>2,000,000</b>	<b>-</b>	<b>-</b>	<b>35,000,000</b>
<b>Total</b>	<b>71,280,861</b>	<b>2,000,000</b>	<b>(9,705,861)</b>	<b>(2,550,000)</b>	<b>61,025,000</b>

Number held at balance date					
	Balance 30-06-22	Total vested 30-06-22	Total Exercisable 30-06-22	Net change other or forfeited	Total Un-Exercisable 30-06-22
<b>Year ended 30 June 2022</b>					
<b>Options</b>					
K Richards	26,025,000	26,025,000	26,025,000	-	-
<b>Sub-Total</b>	<b>26,025,000</b>	<b>26,025,000</b>	<b>26,025,000</b>	<b>-</b>	<b>-</b>
<b>Performance Rights</b>					
G Yeatman	16,500,000	-	-	-	16,500,000
T Gray	16,500,000	-	-	-	16,500,000
D Speedy	2,000,000	-	-	-	2,000,000
<b>Sub-Total</b>	<b>35,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,000,000</b>
<b>Total</b>	<b>61,025,000</b>	<b>26,025,000</b>	<b>26,025,000</b>	<b>-</b>	<b>35,000,000</b>

## Shares held by Key Management Personnel

The number of ordinary shares in the Company during the 2022 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out below:

	Balance 30-06-21	Exercise of Options	Other Changes	Held at 30-06-22
K Richards	71,222,081	9,705,861 <sup>A</sup>	-	80,927,942
R Mountfort	590,700,000	-	-	590,700,000
G Yeatman	58,162,500	-	-	58,162,500
T Gray	23,505,357	-	-	23,505,357
D Rathbone	16,582,942	-	-	16,582,942
D Speedy	1,772,950	-	-	1,772,950
<b>Total</b>	<b>761,945,830</b>	<b>9,705,861</b>	<b>-</b>	<b>771,651,691</b>

A. On 1 November 2021, Director Ken Richards exercised 9,075,861 options with an exercise price of \$0.03 per option.

**End of audited remuneration report.**

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## Options and Rights

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

Grant Date	Expiry Date	Exercise Price	Total
<b>Share options</b>			
22 May 2018	19 March 2023	\$0.177	283,334
22 May 2018	22 May 2023	\$0.177	665,834
14 September 2018	14 September 2023	\$0.177	1,275,000
20 December 2018	1 February 2024	\$0.177	1,275,000
20 December 2018	1 February 2024	\$0.294	850,002
17 February 2020	1 March 2025	\$0.023	24,750,000
29 April 2021	29 April 2024	\$0.13	100,000
5 May 2022	30 June 2025	\$0.04	10,000,000
<b>Total Share Options</b>			<b>39,199,170</b>
<b>Performance Rights</b>			
27 November 2020	3 August 2023	\$Nil	33,000,000
<b>Total Performance Rights</b>			<b>33,000,000</b>
<b>Total</b>			<b>72,199,170</b>

On 21 July 2022, 2,000,000 Performance Rights issued to D Speedy that vested on 1 July 2022 were exercised.

As part of the July 2022 capital raising and conversion of notes, 112,962,962 options were issued subject to shareholder approval. As at the date of this report, shareholder approval has not been granted and therefore these options are not included in the table above. The options are exercisable at \$0.045 each on or before 31 August 2023.

### 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:

- 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
- 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:

	2022	2021
	\$	\$
<b>Audit and review of financial statements - Grant Thornton</b>	<b>80,500</b>	<b>75,000</b>
<b>Taxation compliance services – Grant Thornton</b>	<b>11,897</b>	<b>36,000</b>
<b>Total auditor's remuneration</b>	<b>92,397</b>	<b>111,000</b>

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 24 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.

**Ken Richards**



Chairman  
Brisbane, Queensland, Australia  
26 August 2022

**Ramon Mounfort**



Managing Director  
Brisbane, Queensland, Australia  
26 August 2022

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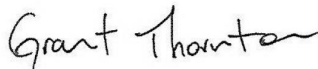
**Grant Thornton Audit Pty Ltd**  
King George Central  
Level 18  
145 Ann Street  
Brisbane QLD 4000  
GPO Box 1008  
Brisbane QLD 4001  
T +61 7 3222 0200

## Auditor's Independence Declaration

### To the Directors of 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 2022, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M C Bragg  
Partner – Audit & Assurance

Brisbane, 26 August 2022

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Note	2022 \$	2021 \$
Revenue from contracts with customers	9	181,121	44,275
Insurance recoveries	7	1,400,000	-
Government grants		20,000	283,643
Research and development tax incentive		2,015,825	2,698,639
Other income	10	1,515	103,012
<b>Expenses</b>			
Plant operating expenses		(1,720,531)	(863,403)
Depreciation and amortisation	11	(701,181)	(341,462)
Employee and consultant expenses	11	(3,550,495)	(2,355,016)
Other expenses		(944,859)	(496,833)
Finance expense	11	(759,594)	(249,470)
Reverse acquisition – in process R&D expense	6	-	(7,515,114)
Share based payments	34	(268,633)	(357,611)
Loss on write-off of fixed assets	7	(1,621,929)	-
Foreign currency gain / (loss)		(83,502)	(24,796)
<b>Loss before income tax</b>		<b>(6,032,263)</b>	<b>(9,074,136)</b>
Income tax expense		-	-
<b>Loss for the year after income tax expense</b>		<b>(6,032,263)</b>	<b>(9,074,136)</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive loss for the year</b>		<b>(6,032,263)</b>	<b>(9,074,136)</b>
<b>Earnings per share from continuing operations</b>			
		<b>Cents</b>	<b>Cents</b>
Basic loss per share	8	(0.38)	(0.72)
Diluted loss per share	8	(0.38)	(0.72)

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	2022 \$	2021 \$
<b>Current Assets</b>			
Cash and cash equivalents	13	745,320	742,600
Trade and other receivables	14	2,202,321	2,845,826
Inventories	15	77,354	111,587
Other current assets	16	117,734	91,943
<b>Total Current Assets</b>		<b>3,142,729</b>	<b>3,791,956</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	17	9,467,301	7,128,045
Other non-current assets	18	132,035	121,167
<b>Total Non-Current Assets</b>		<b>9,599,336</b>	<b>7,249,212</b>
<b>Total Assets</b>		<b>12,742,065</b>	<b>11,041,168</b>
<b>Current Liabilities</b>			
Trade and other payables	19	1,062,577	1,157,643
Borrowings	20	2,165,808	2,259,345
Derivative liability	21	167,777	-
Lease liability	22	186,970	171,326
Provisions	23	169,515	174,319
<b>Total Current Liabilities</b>		<b>3,752,646</b>	<b>3,762,633</b>
<b>Non-Current Liabilities</b>			
Borrowings	24	655,083	1,284,567
Lease liability	25	1,626,724	1,466,462
Provisions	26	18,898	10,137
<b>Total Non-Current Liabilities</b>		<b>2,300,705</b>	<b>2,761,166</b>
<b>Total Liabilities</b>		<b>6,053,351</b>	<b>6,523,799</b>
<b>Net Assets</b>		<b>6,688,714</b>	<b>4,517,368</b>
<b>Equity</b>			
Issued capital	27	23,146,672	15,335,496
Reserves	28	928,552	536,119
Accumulated losses	29	(17,386,510)	(11,354,247)
<b>Total Equity</b>		<b>6,688,714</b>	<b>4,517,368</b>

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 2022

	Issued Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Total Equity \$
<b>Balance at 1 July 2020</b>	<b>4,903,322</b>	<b>(2,280,111)</b>	<b>67,610</b>	<b>2,690,821</b>
Loss after income tax expense for the year	-	(9,074,136)	-	(9,074,136)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(9,074,136)</b>	<b>-</b>	<b>(9,074,136)</b>
<b>Transactions with owners in their capacity as owners</b>				
Shares issued (note 27)	10,682,975	-	-	10,682,975
Share issue transactions costs (note 27)	(250,801)	-	-	(250,801)
Share-based payments (note 34)	-	-	468,509	468,509
<b>As at 30 June 2021</b>	<b>15,335,496</b>	<b>(11,354,247)</b>	<b>536,119</b>	<b>4,517,368</b>
<b>Balance at 1 July 2021</b>	<b>15,335,496</b>	<b>(11,354,247)</b>	<b>536,119</b>	<b>4,517,368</b>
Loss after income tax expense for the year	-	(6,032,263)	-	(6,032,263)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(6,032,263)</b>	<b>-</b>	<b>(6,032,263)</b>
<b>Transactions with owners in their capacity as owners</b>				
Shares issued (note 27)	8,000,000	-	-	8,000,000
Share issue transactions costs (note 27)	(480,000)	-	-	(480,000)
Shares issued - exercise of options (note 27)	291,176	-	-	291,176
Share-based payments (note 34)	-	-	392,433	392,433
<b>As at 30 June 2022</b>	<b>23,146,672</b>	<b>(17,386,510)</b>	<b>928,552</b>	<b>6,688,714</b>

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 2022

	Note	2022 \$	2021 \$
<b>Operating activities</b>			
Receipts from customers		173,562	24,007
Proceeds from insurance recoveries		240,000	-
Proceeds from government grants		20,000	283,643
Payments to suppliers & employees		(6,928,077)	(3,320,222)
Interest received		419	421
Interest paid		(457,490)	(156,392)
Proceeds from R&D tax incentive refund		2,771,632	637,216
<b>Net cash used in operating activities</b>	<b>37(b)</b>	<b>(4,179,954)</b>	<b>(2,531,327)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(3,986,474)	(4,707,800)
Proceeds from disposal of property, plant and equipment		-	486,000
Proceeds from insurance recoveries		1,160,000	-
Funds acquired on completion of transaction with Essential Queensland Pty Ltd		-	50,887
<b>Net cash used in investing activities</b>		<b>(2,826,474)</b>	<b>(4,170,913)</b>
<b>Financing activities</b>			
Proceeds from issue of share capital		8,291,176	4,180,000
Share issue transaction costs		(480,000)	(349,517)
Proceeds from borrowings		2,320,782	3,600,118
Repayment of borrowings		(2,912,958)	(880,426)
Payment of principal portion of lease costs		(188,194)	(470,489)
<b>Net cash from financing activities</b>		<b>7,030,806</b>	<b>6,079,686</b>
Net (decrease)/increase in cash and cash equivalents		55,288	(622,554)
Net foreign exchange difference		(52,568)	(25,106)
Cash and cash equivalents at the beginning of the financial year		742,600	1,390,260
<b>Cash and cash equivalents at the end of the financial year</b>	<b>37(a)</b>	<b>745,320</b>	<b>742,600</b>

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 activity is the commercialisation of the natural pine chemical extraction process.

## 2. General information and statement of compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). 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 140 Wharf Street, Maryborough, Queensland 4650, Australia.

The consolidated financial statements for the year ended 30 June 2022 were approved and authorised for issue by the Board of Directors on 26 August 2022.

## 3. Going Concern

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

For the period ending 30 June 2022, the Group has incurred a loss before income tax of \$6,032,263 (2021: \$9,074,136), had negative cash flows from operating activities of \$4,179,954 (2021: \$2,531,327) and had negative net current assets of \$609,917 (Jun 2021: positive \$29,323). Prima facie these conditions, combined with the impact of the Apple Tree Creek Operating Plant incident described in Note 7, cast significant doubt on the Group's ability to continue as a going concern.

The Directors have considered the following events that have occurred post 30 June 2022:

- The Group undertook a placement in July 2022 to sophisticated and professional investors to raise \$5,100,000 through the issue of 156,666,667 fully paid ordinary shares, and an additional 13,333,333 ordinary shares that are committed to be issued in September 2022.
- The Group had \$1,467,409 of convertible notes accounted for as current liabilities at 30 June 2022. In July 2022, these notes were subsequently converted into fully paid ordinary shares.

On this basis the Directors believe that the going concern basis of presentation is appropriate.

Notwithstanding the abovementioned compensating events, there continues to be a material uncertainty related to the events and conditions described above, including the impact of the Apple Tree Creek Operating Plant incident, and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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. Significant accounting policies

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

### **New or amended Accounting Standards and Interpretations adopted**

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

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

### **Basis of preparation**

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

#### *Historical cost convention*

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

#### *Critical accounting estimates*

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

### **Parent entity information**

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 38.

### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Leaf Resources Limited ('company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Leaf Resources Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

### **Operating segments**

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

### **Foreign currency translation**

The financial statements are presented in Australian dollars, which is Leaf Resources Limited's functional and presentation currency.

#### *Foreign currency transactions*

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

### **Revenue recognition**

The consolidated entity 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.

#### *Sale of goods*

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

### **Insurance recoveries**

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

### Research and development tax incentive

The Group incurs expenditure on research and development and is eligible to receive a 43.5% (2021: 43.5%) refund under the Research and Development Tax Incentive Scheme. Research and development tax incentives are recognised profit or loss over the period necessary to match them with the costs they are intended to compensate. Research and development tax incentives are recognised as income once the Group is satisfied that the Group has complied with the conditions attached to the tax incentives and that the tax incentives will be received.

### 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 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.

### Income tax

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

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

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

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

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

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

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

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

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

### **Current and non-current classification**

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

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

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

### **Cash and cash equivalents**

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

### **Trade and other receivables**

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

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

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

### **Inventories**

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

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

## Financial instruments

### *Financial assets*

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

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

### *Impairment of financial assets*

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

### *Financial liabilities*

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

## Derivative financial instruments

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

## Property, plant and equipment

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

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

Plant and equipment	3-15 years
Leasehold improvements	9-10 years
Motor vehicles	5-7 years
Property leases – right of use	3-17 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

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

#### **Right-of-use assets**

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

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

#### **Impairment of non-financial assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

#### **Trade and other payables**

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

#### **Borrowings**

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

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

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

### **Lease liabilities**

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

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

### **Finance costs**

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

### **Provisions**

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

### **Employee benefits**

#### *Short-term employee benefits*

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

#### *Other long-term employee benefits*

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

#### *Share-based payments*

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

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

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

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

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

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

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

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

#### **Fair value measurement**

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

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

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

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

### **Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **Earnings per share**

#### *Basic earnings per share*

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

#### *Diluted earnings per share*

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

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

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

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

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

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

### **Rounding of amounts**

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

### **New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

## 5. Critical accounting judgements, estimates and assumptions

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

### *Share-based payment transactions*

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 34 for further information.

### *Research and development tax incentive*

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

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

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal, which incorporate several key estimates and assumptions, including the Group's market capitalisation and estimation of a single cash generating unit ("CGU"). The measurement of market capitalisation includes adjustments made to the quoted market price of the Group given the Group was voluntarily suspended from trading at balance date. The use of adjusted observable inputs falls under level 2 of the fair value measurement hierarchy (refer below).

### *Fair value measurement hierarchy*

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

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

### *Estimation of useful lives of assets*

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

#### *Income tax*

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

#### *Recovery of deferred tax assets*

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

#### *Lease term*

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

#### *Incremental borrowing rate*

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

### **6. Transaction with Essential Queensland Pty Ltd**

In the previous reporting period, Leaf Resources Ltd (the "Company") completed the acquisition of 100% of the ordinary shares of Essential Queensland Pty Ltd (Essential Queensland) (the "Transaction") on 22 December 2020. The Transaction has many of the features of a reverse acquisition under Australian Accounting Standards AASB 3 "Business Combinations", notwithstanding the Company being the legal parent of the Group.

As per AASB 3 the Group applied the provisional basis for accounting in the prior period. The reverse acquisition expense of \$7,515,114 was provisionally calculated.

The Group has finalised the accounting for the transaction in the current period and no adjustments have been made to the provisional amounts.

### **7. Apple Tree Creek plant incident**

On 12 November 2021, an explosion occurred at the Group's Apple Tree Creek Pine Chemical Plant. The incident resulted in significant damage to plant and equipment, and injuries with one contractor taken to the Bundaberg Hospital with serious facial injuries and burns while another employee was treated with minor injuries.

As noted in Note 17, \$1,621,929 of fixed assets were written off as a result of the explosion. The Group is currently working with its insurance providers to claim for repairs and replacements of damaged machinery and equipment as a result of the incident at the Apple Tree Creek plant. During the period, the Group received \$1,400,000 in insurance recoveries, which was used to secure a replacement extractor and for the costs of cleaning up the plant. The Group is also working on planning for the rebuild, and as such the sum of future insurance claims can only be reliably estimated once planning has been completed. Note 35 details the contingent asset in relation to future insurance recoveries.

As a result of the incident at the Apple Tree Creek plant, the Company understand that WorkSafe Queensland may raise a penalty as is standard in similar scenarios. Confirmation on the timing and extent of the penalty have not yet been provided. The Group has insurance coverage under its management liability policy in relation to penalties and fines. A contingent liability is raised for potential penalties and fines and is detailed in Note 36.

Management have considered the impairment indicators under AASB 136 Impairment of Assets at reporting date and determined that indicators of impairment exist. An impairment test was performed to estimate the recoverable amount of the cash generating unit ("CGU") to determine if any impairment exists. To estimate the recoverable amount of the CGU, management used fair value less cost of disposal. Refer to Note 17 for details regarding considerations for the impairment of non-financial assets.

## 8. Earnings per share

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

<b>Reconciliation of earnings used in calculating earnings per share</b>	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Loss attributable to the parent entity used in the calculation of basic and dilutive EPS	(6,032,263)	(9,074,136)
Loss attributable to the parent entity	(6,032,263)	(9,074,136)
<b>Weighted average number of ordinary shares</b>	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,573,774,514	1,259,584,761
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per shares	1,573,774,514	1,259,584,761
Loss per share and Diluted loss per share (cents)	0.38	0.72

### Calculation of dilutive EPS

As at 30 June 2022 there were:

- 39,879,170 unlisted options on issue which have vested; and
- 35,000,000 unlisted performance rights on issue which have not yet vested.

The 39,879,170 unlisted options that have vested were excluded from the calculation of diluted earnings per share due to the group being in a loss position.

As at 30 June 2021, there were 48,025,192 unlisted options on issue which had vested and were excluded from the calculation of diluted earnings per share due to the group being in a loss position. There were also 33,000,000 unlisted performance rights on issue which have not yet vested.

## 9. Revenue from contracts with customers

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

Consolidated	Other Revenue	Woodchip	Terpenes	Total
	\$	\$	\$	\$
<b>30 Jun 2022</b>				
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	-	163,143	17,978	181,121
<b>Total Revenue</b>	<b>-</b>	<b>163,143</b>	<b>17,978</b>	<b>181,121</b>
<b>30 Jun 2021</b>				
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	6,681	37,594	-	44,275
<b>Total Revenue</b>	<b>6,681</b>	<b>37,594</b>	<b>-</b>	<b>44,275</b>

## 10. Other Income

Consolidated	2022	2021
	\$	\$
Interest income	419	26,727
Gain / (loss) on disposal of assets	-	65,100
Other income	1,096	11,185
<b>Total</b>	<b>1,515</b>	<b>103,012</b>

## 11. Expenses

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

Consolidated	Note	2022	2021
		\$	\$
<b>Depreciation expense</b>			
Depreciation of property, plant and equipment	17	593,523	265,548
Depreciation of right of use assets	17	107,658	75,914
<b>Total</b>		<b>701,181</b>	<b>341,462</b>

## 11. Expenses (continued)

Consolidated	2022 \$	2021 \$
<b>Employee and consultant expenses</b>		
Salaries and wages	2,688,002	1,789,583
Superannuation	264,532	143,078
Payroll tax	109,591	-
Staff training	15,900	-
Recruitment costs	3,504	-
Consultant fees	468,964	422,355
<b>Total</b>	<b>3,550,495</b>	<b>2,355,016</b>

Consolidated	2022 \$	2021 \$
<b>Finance expenses</b>		
Finance costs on borrowings	459,553	120,630
Interest on leases	110,908	108,842
Finance costs on convertible notes	188,196	-
Other finance expenses	937	19,998
<b>Total</b>	<b>759,594</b>	<b>249,470</b>

## 12. 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:

	2022 \$	2021 \$
Loss before income tax	(6,032,264)	(9,074,137)
Income tax at 25% (2021: 26%)	(1,508,066)	(2,359,276)
Loss relating to foreign subsidiary	155	444
Expenditure not allowable for income tax purposes	98,442	2,026,163
Movements in deferred tax balance as a result of change in tax rate	-	228,706
Movement in unrecognised tax losses and temporary differences	548,748	(807,371)
Net expenditure incurred in relation to R&D tax incentive	860,721	911,334
Actual income tax benefit	-	-
Income tax refund comprises:		
Current tax expense (income)	-	-
Deferred tax expense (income)	-	-
<b>Income tax benefit</b>	<b>-</b>	<b>-</b>

<b>Deferred income tax</b>	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Deferred tax assets		
-Provisions	76,911	81,750
-Share capital costs	216,717	118,161
-Patents	113,051	106,439
-Right of use leases	373,902	298,213
-Tax losses	7,358,350	6,975,309
<b>Total deferred tax asset</b>	<b>8,138,931</b>	<b>7,579,872</b>
Deferred tax liabilities		
-Property, plant and equipment	(1,535,159)	(1,781,713)
-Prepayments and other assets	(27,052)	(6,936)
<b>Total deferred tax liability</b>	<b>(1,562,210)</b>	<b>(1,788,649)</b>
<b>Net deferred tax asset/ (liability)</b>	<b>6,576,721</b>	<b>5,791,223</b>
<b>Deferred tax asset not recognised</b>	<b>(6,576,721)</b>	<b>(5,791,223)</b>
<b>Net deferred tax asset/ (liability) recognised</b>	<b>-</b>	<b>-</b>
Carried forward tax losses	29,433,400	28,220,557
Unused tax losses for which no deferred tax asset has been recognised	26,306,882	22,273,936
<b>Potential tax benefit at 25% (2021: 26%)</b>	<b>6,576,721</b>	<b>5,791,223</b>

### Losses

At 30 June 2022, the Group has carried forward tax losses of \$29,433,400 (2021:\$28,220,557) of which \$26,306,882 (2021: \$22,273,936) has no deferred tax asset recognised. The deferred tax asset which may be derived from these tax losses, has not been carried forward as an asset in the balance sheet and will only be recognised if:

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

### Offsetting within a tax consolidated group

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

### 13. Current assets - cash and cash equivalents

Cash and cash equivalents include the following components:	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	745,320	742,600
<b>Cash and cash equivalents</b>	<b>745,320</b>	<b>742,600</b>

#### 14. Current assets - trade and other receivables

	2022 \$	2021 \$
Trade receivables	43,855	35,200
Allowance for expected credit losses	-	-
<b>Net trade receivables</b>	<b>43,855</b>	<b>35,200</b>
R&D tax incentive receivable	1,942,832	2,698,639
GST receivable	215,634	111,987
<b>Total Trade and other receivables</b>	<b>2,202,321</b>	<b>2,845,826</b>

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

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

#### 15. Current assets - inventories

Consolidated	2022 \$	2021 \$
Logs	-	72,379
Stumps	33,988	2,495
Diesel	10,156	14,105
Light fuel oil	33,210	22,608
<b>Inventories</b>	<b>77,354</b>	<b>111,587</b>

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

#### 16. Current assets - other

Consolidated	2022 \$	2021 \$
Prepayments	116,054	90,263
Deposits	1,680	1,680
<b>Other current assets</b>	<b>117,734</b>	<b>91,943</b>

## 17. Non-current assets - property, plant and equipment

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

Consolidated	Plant & Equipment \$	Motor Vehicles \$	Leasehold Improvements \$	Property Leases – Right of use \$	Work in Progress \$	Total \$
Cost	6,421,651	77,232	-	1,279,221	-	7,778,104
Accumulated depreciation	(358,884)	(46,583)	-	(244,592)	-	(650,059)
<b>Closing balance at 30 June 2021</b>	<b>6,062,767</b>	<b>30,649</b>	<b>-</b>	<b>1,034,629</b>	<b>-</b>	<b>7,128,045</b>
Cost	5,847,661	77,232	78,829	1,643,319	3,120,395	10,767,436
Accumulated depreciation	(880,821)	(61,884)	(5,181)	(352,249)	-	(1,300,135)
<b>Closing balance at 30 June 2022</b>	<b>4,966,840</b>	<b>15,348</b>	<b>73,648</b>	<b>1,291,070</b>	<b>3,120,395</b>	<b>9,467,301</b>

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

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

Consolidated	Plant & Equipment * \$	Motor Vehicles \$	Leasehold Improvements \$	Property Leases – Right of use \$	Work in Progress \$	Total \$
Opening written down value 1 July 2020	1,394,069	45,950	-	1,058,067	-	2,498,086
Additions	5,322,228	-	-	52,476	-	5,374,704
Additions as part of transaction with Essential	10,455	-	-	-	-	10,455
Disposals	(413,738)	-	-	-	-	(413,738)
Depreciation	(250,247)	(15,301)	-	(75,914)	-	(341,462)
<b>Closing balance at 30 June 2021</b>	<b>6,062,767</b>	<b>30,649</b>	<b>-</b>	<b>1,034,629</b>	<b>-</b>	<b>7,128,045</b>
Opening written down value 1 July 2021	6,062,767	30,649	-	1,034,629	-	7,128,045
Additions	1,099,043	-	78,829	364,099	3,120,395	4,662,366
Disposals	(1,621,929)	-	-	-	-	(1,621,929)
Depreciation	(573,041)	(15,301)	(5,181)	(107,658)	-	(701,181)
<b>Closing balance at 30 June 2022</b>	<b>4,966,840</b>	<b>15,348</b>	<b>73,648</b>	<b>1,291,070</b>	<b>3,120,395</b>	<b>9,467,301</b>

\* Plant and equipment are pledged as security under the Altor Pty Ltd loan facility as detailed in Note 20.

### Leased assets

The consolidated entity leases land and buildings for its offices, motor vehicles and plant and equipment used in its operations. The lease terms consist of:

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

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

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

### Disposals

As a result of the incident at the Apple Tree Creek Plant, assets to the value of \$1,621,929 were written off as no future economic benefits are expected from their use. The assets that were written-off include an extractor, automation equipment and electrical equipment. The company has made an insurance claim in relation to the impacted assets. Insurance compensation from third parties are accounted for separately in profit or loss when the compensation becomes receivable.

### Impairment Testing of Non-Financial Assets

The Group has assessed whether indicators of impairment exist at 30 June 2022, as required under AASB 136 *Impairment of Assets*. Management have assessed both internal and external information as described in paragraph 12 of AASB 136 *Impairment of Assets*, and determined that the impact of the Apple Tree Creek incident has given rise to internal indicators of impairment.

As an impairment trigger exists, Management has determined the recoverable amount of the asset using fair value less cost of disposal (FVLCD), which incorporates a number of key estimates and assumptions, including the market capitalisation of the Group.

Management has considered the lowest levels at which the assets produce identifiable cash flows when determining the composition of the Group's Cash Generating Units (CGU's). Management have determined that a single CGU exists as the cash inflows of the group are not independent. All cash inflows are generated by the Apple Tree Creek operating plant and there is not one plant asset that can be identified for generating cash flows individually.

The recoverable amount of the single CGU was determined by measuring FVLCD using a market approach less cost of disposal. Management has referenced the Group's market capitalisation when measuring fair value at 30 June 2022. As the Group was in voluntary suspension at 30 June 2022, Management has considered the share price on 21 July 2022 when the Group recommenced trading, the results of the July capital raise on the same day and the subsequent volatility in the share price when estimating market value at balance date. The closing share price of \$0.023 on 21 July is considered a reasonable estimate of market price at balance date as no material events have occurred between balance date and 21 July that would impact this price.

This valuation technique used adjusted quoted market prices; therefore this is considered to be Level 2 inputs under the fair value hierarchy.

Based on the results of the impairment test, the recoverable amount of the CGU was determined to be \$35,296,940. The carrying value of the CGU was determined to be \$9,888,714 after net assets were adjusted for the fair value of contingent assets. This resulted in headroom of \$25,408,226 and therefore no impairment change was required.

#### *Sensitivity*

As disclosed above and in note 5, the Directors have made judgements and estimates in respect of impairment testing. Any reasonable changes in share price would not result in an impairment charge. The share price assumption would need to decrease by over 70% from \$0.023 to result in an impairment charge.

## 18. Non-current assets - other

<b>Consolidated</b>	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Security deposits (bank guarantees)	100,000	100,000
Other deposits	32,035	21,167
<b>Other non-current assets</b>	<b>132,035</b>	<b>121,167</b>

## 19. Current liabilities - trade and other payables

Trade and other payables consist of the following:

<b>Consolidated</b>	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Trade payables	850,885	695,493
Accruals	211,692	462,150
<b>Total trade and other payables</b>	<b>1,062,577</b>	<b>1,157,643</b>

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

## 20. Current liabilities - borrowings

<b>Consolidated</b>	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Jobrat Pty Ltd loan	-	321,875
Radium R&D loan	-	1,300,118
Altor Pty Ltd loan <sup>(a)</sup>	632,783	563,665
Convertible notes <sup>(b)</sup>	1,467,409	-
Other loans	65,616	73,687
<b>Current borrowings</b>	<b>2,165,808</b>	<b>2,259,345</b>

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

- Loan amount: \$2,000,000
- Loan term: 29 April 2024

- Interest rate: 11% per annum
  - Security: a general security charge over the assets of the Company
  - No equity conversion rights
  - Monthly repayments of Principal and Interest with the balance repayable by the Company at any time (during the loan term)
  - An amendment was executed on 5 May 2022 for an advance of \$500,000 on the facility. The advance was repaid on 25 May 2022.
  - As part of the original transaction Altor Capital Pty Ltd received 4,000,000 share options. These options vested immediately, and the fair value was offset against the carrying amount of the Altor loan and are recognised as borrowing costs in the statement of profit or loss over the term of the loan.
  - As a result of the amendment, the 4,000,000 options were cancelled, and 10,000,000 share options were issued in return. The original 4,000,000 options vested immediately therefore the fair value of these options has remained in equity. The 10,000,000 options vested immediately, and the fair value was offset against the carrying amount of the loan advance and recognised as borrowing costs in the statement of profit or loss over the term of the advance. Refer to Note 34 for valuation considerations of the options.
  - At 30 June 2022 there is a total of \$12,426 accrued interest on the Altor loan included in accruals.
- (b) On 5 May 2022, the Company issued 1,510,000 convertible notes to investors as part of its capital raising activities. The key terms of the agreements are:
- Total subscription sum: \$1,510,000
  - Term: 3 months
  - Interest rate: 1% per month
  - Security: a general security charge over the assets of the Company
  - Conversion price: \$0.027 per share

## 21. Current liabilities - derivative financial instruments

Consolidated	2022 \$	2021 \$
Derivative on convertible notes	167,777	-
<b>Current derivative financial instruments</b>	<b>167,777</b>	<b>-</b>

The derivative relates to the convertible notes issued during the period as disclosed in note 20. The conversion features that give rise to the recognition of the derivative include that the number of shares to be issued on conversion can vary.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. At 30 June 2022, there was no change in the fair value of the derivative since initial recognition and therefore no amount has been recognised in the statement of profit or loss for change in fair value of derivative financial instruments.

Derivatives are classified as current or non-current depending on the expected period of realisation.

## 22. Current liabilities - lease liabilities

Consolidated	2022 \$	2021 \$
Lease liabilities	186,970	171,326
<b>Current lease liabilities</b>	<b>186,970</b>	<b>171,326</b>

### 23. Current liabilities - provisions

<b>Consolidated</b>	<b>2022</b> <b>\$</b>	<b>2021</b> <b>\$</b>
Employee leave entitlements <sup>(a)</sup>	119,515	124,319
Mining rehabilitation provisions <sup>(b)</sup>	50,000	50,000
<b>Total current provisions</b>	<b>169,515</b>	<b>174,319</b>

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

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

### 24. Non-current liabilities - borrowings

<b>Consolidated</b>	<b>2022</b> <b>\$</b>	<b>2021</b> <b>\$</b>
Altor loan	655,083	1,284,567
<b>Non-current borrowings</b>	<b>655,083</b>	<b>1,284,567</b>

### 25. Non-current liabilities - lease liabilities

<b>Consolidated</b>	<b>2022</b> <b>\$</b>	<b>2021</b> <b>\$</b>
Lease liabilities	1,626,724	1,466,462
<b>Non-current lease liabilities</b>	<b>1,626,724</b>	<b>1,466,462</b>

### 26. Non-current liabilities - provisions

<b>Consolidated</b>	<b>2022</b> <b>\$</b>	<b>2021</b> <b>\$</b>
Employee leave entitlements	18,898	10,137
<b>Total non-current provisions</b>	<b>18,898</b>	<b>10,137</b>

These liabilities represent the Group's obligations to its current employees in relation to long service leave that are expected to be settled greater than 12 months after reporting date.

## 27. Equity - 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.

	2022 Number	2022 \$	2021 Number	2021 \$
<b>Movements in ordinary share capital</b>				
Balance at beginning of financial year	1,492,407,082	15,335,496	354,099,144	4,903,322
Shares issued (a)	80,000,000	8,000,000	-	-
Options exercised (b)	9,705,861	291,176	-	-
Shares issued (c)	-	-	-	1,180,000
Share consolidation 20:17(d)(i)	-	-	(52,287,828)	-
Shares issued (d)(ii)	-	-	1,017,258,033	6,036,220
Shares issued (d)(iii)	-	-	11,754,400	235,088
Shares issued (d)(iv)	-	-	150,000,000	3,000,000
Shares issued (d)(v)	-	-	10,000,000	200,000
Shares issued (d)(vi)	-	-	1,583,333	31,667
Transaction costs	-	(480,000)	-	(250,801)
<b>Total contributed equity</b>	<b>1,582,112,943</b>	<b>23,146,672</b>	<b>1,492,407,082</b>	<b>15,335,496</b>

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

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

Notes for the above table, relating to the year ended 30 June 2021, are:

- (c) On 31 July 2020, Essential Queensland Pty Ltd successfully completed a placement raising \$1,180,000 through the issue of 1,787,879 ordinary shares.
- (d) On 22 December 2020, the Company successfully completed the transaction with Essential Queensland Pty Ltd. The transaction included the following share issues:
  - (i) Following completion of the transaction the shares in Leaf Resources Limited were consolidated at a ratio of 17 for every 20 held.
  - (ii) The issue of 1,017,258,033 ordinary shares with a value of \$6,036,220 to acquire the Leaf Resources group as per the reverse acquisition treatment.
  - (iii) Following shareholder approval at the Company's EGM held on 27 November 2020 the issue of 11,754,400 ordinary shares in lieu of fees totalling \$235,088 owing to officers of the Company as at 30 June 2020.
  - (iv) Following the successful capital raising attached to the transaction the issue of 150,000,000 ordinary shares raising \$3,000,000 before transaction costs.
  - (v) The issue of 10,000,000 ordinary shares to Tegis Pty Ltd who acted as corporate advisor to the transaction.
  - (vi) The issue of 1,583,333 ordinary shares to Sequoia Corporate Finance Pty Ltd who acted as corporate advisor to the transaction.

## 28. Equity - reserves

	2022 \$	2021 \$
<b>Share based payments reserve</b>		
Movements:		
Balance at beginning of the financial year	536,119	67,610
Share based payment expense	268,633	357,611
Share based payment capitalised transaction costs – Altor loan facility	123,800	110,898
<b>Balance at the end of the financial year</b>	<b>928,552</b>	<b>536,119</b>

The reserve records the value of equity benefits, i.e. share based payments, provided to employees and directors as part of their remuneration, as well as to suppliers. Refer to Note 34 Share Based Payments for further details of these plans.

## 29. Equity - accumulated losses

<b>Consolidated</b>	<b>2022 \$</b>	<b>2021 \$</b>
Balance at beginning of the financial year	(11,354,247)	(2,280,111)
Loss after income tax for the year	(6,032,263)	(9,074,136)
<b>Balance at the end of the financial year</b>	<b>(17,386,510)</b>	<b>(11,354,247)</b>

## 30. Financial instruments

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

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

### **Interest rate risk**

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

At reporting date the Company had the following exposure to variable interest rate risk

<b>Financial assets</b>	<b>2022</b> \$	<b>2021</b> \$
Cash at bank	745,320	742,600
Security deposits (bank guarantees)	100,000	100,000
	<b>845,320</b>	<b>842,600</b>

Borrowings disclosed at Note 20 have not been included in the above table as the applicable interest rates are fixed.

The following table summarises the impact of reasonably possible changes in interest rates for the Company at 30 June 2022. The sensitivity is based on the assumption that interest rate changes by 50 basis points (2021: 25 basis points) with all other variables held constant. The 50 basis points sensitivity is based on reasonably possible changes over the reporting period.

<b>Impact on post tax profit and equity</b> Higher / (lower)	<b>2022</b> \$	<b>2021</b> \$
50bp increase (2021: 25bp)	4,227	2,107
50bp decrease (2021: 25bp)	(4,227)	(2,107)

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

#### **Foreign currency risk**

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

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

<b>Financial assets</b>	<b>2022</b> \$	<b>2021</b> \$
<i>Cash and cash equivalents</i>		
- USD	28,016	9,004
- Euro	-	105
- NZD	6,349	-
	<b>34,365</b>	<b>9,109</b>

The following table summarises the impact of reasonably possible changes in foreign currency exchange rates for the Company at 30 June 2022 on recognised financial assets at the reporting date. The sensitivity is based on the assumption that the exchange rates change by increasing 10% or decreasing 10% with all other variables held constant. These 10% sensitivities are based on reasonably possible changes over the reporting period, using the observed range of actual historical rates for the preceding three-year period. The analysis is performed on the same basis for the comparative period.

<b>Impact on post tax profit and equity</b> <i>Higher / (lower)</i>	<b>2022</b> \$	<b>2021</b> \$
- AUD/USD +10% (2021: +10%)	(2,521)	(819)
- AUD/USD -10% (2021: +10%)	3,082	1,000
- AUD/EUR +10% (2021: +10%)	-	(10)
- AUD/EUR -10% (2021: +10%)	-	12
- AUD/NZD +10% (2021: +10%)	(571)	-
- AUD/NZD -10% (2021: +10%)	698	-

### **Credit risk**

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

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

<b>Credit Quality of Financial Assets</b>	<b>S&amp;P Credit Rating</b>	
	<b>A1+</b> \$	<b>Unrated</b> \$
<i>30 June 2021</i>		
Cash and cash equivalents	742,600	-
Receivables	-	147,187
Number of Counterparties	2	4
Largest counterparty (%)	80%	76%

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

### **Liquidity risk**

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

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

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

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

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

<b>As at 30 June 2021</b>	<b>Less than 6 months</b>	<b>6 months – 12 months</b>	<b>1-2 years</b>	<b>&gt;2 years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade and other payables	1,157,643	-	-	-
Lease Liabilities	134,110	134,647	250,292	1,979,688
Borrowings	2,088,545	392,865	785,729	720,252
<b>Total</b>	<b>3,380,298</b>	<b>527,512</b>	<b>1,036,021</b>	<b>2,699,940</b>

<b>As at 30 June 2022</b>	<b>Less than 6 months</b>	<b>6 months – 12 months</b>	<b>1-2 years</b>	<b>&gt;2 years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade and other payables	1,062,577	-	-	-
Lease Liabilities	146,662	144,092	245,114	2,115,528
Borrowings	2,016,216	392,865	720,252	-
<b>Total</b>	<b>3,225,455</b>	<b>536,957</b>	<b>965,366</b>	<b>2,115,528</b>

### **Capital risk management**

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

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

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

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

### 31. Key management personnel disclosures

Key management personnel compensation:

<b>Consolidated</b>	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	993,923	708,682
Post-employment benefits	74,221	52,565
Share based payments	266,898	306,037
<b>Total</b>	<b>1,335,042</b>	<b>1,067,284</b>

### 32. Remuneration of auditors

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Audit and review of financial statements	80,500	75,500
Taxation compliance services	11,897	36,000
<b>Total auditor's remuneration</b>	<b>92,397</b>	<b>111,500</b>

### 33. 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 39.

#### **Key Management Personnel**

Disclosures relating to remuneration of key management personnel are set out in Note 31 and also further details are included in the Remuneration Report contained in the Directors' Report.

#### **Transactions with related parties**

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Payment for services:		
Payment for corporate advisory services from Tegis Pty Ltd (Director related entity of T Gray)	120,000	90,000

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

#### **Terms and conditions**

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

### 34. Share-based payments

During the year, the Group undertook share-based payment arrangements for an executive and with Altor Capital Pty Ltd. All arrangements settled in equity are set out below.

As part of the Company's fund-raising activities, Altor Capital Pty Ltd extended a \$500,000 advance on their current facility as detailed in Note 20. In return for the advance, their 4,000,000 options were cancelled, and 10,000,000 options were issued in return. The fair value of the issued options were offset against the carrying value of the debt and recognised as borrowing costs over the period of the debt advance.

	Supplier options
Exercise Price	\$0.04
Grant Date	5-May-2022
Expiry Date	30-Jun-25
Risk-free rate	0.35%
Volatility	75%
Value per option	\$0.01238
Number of options/rights	10,000,000
Total value of options/rights	\$123,800
Amount expensed in prior years	-
Amount expensed in current period	\$123,800
Amount to be expensed in future periods	-
Vesting conditions	None
Model used	Black Scholes

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

	Executive Rights
Exercise Price	Nil
Grant Date	16-Sep-2021
Expiry Date	30-Sep-22
Risk-free rate	0.25%
Volatility	70%
Value per option	\$0.08
Number of options/rights	2,000,000
Total value of options/rights	\$160,000
Amount expensed in prior years	-
Amount expensed in current period	\$159,416
Amount to be expensed in future periods	\$584
Vesting conditions	To remain in service to the Company up to 01-Jul-2022

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

### Share based payment expense

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

	2022	2021
	\$	\$
<b>Share-based payments reserve</b>		
Movements:		
Balance at beginning of the financial year	536,119	67,610
Cost of share-based payment	268,633	357,611
Share based payment capitalised transaction costs – Altor Capital Pty Ltd loan facility	123,800	110,898
<b>Balance at the end of the reporting period</b>	<b>928,552</b>	<b>536,119</b>

### Outstanding performance rights

The outstanding balance of performance rights as at 30 June 2022 is represented below:

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

### 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 2022	WAEP \$ 2022	Number of options 2021	WAEP \$ 2021
Outstanding at the beginning of the year	49,158,526	0.072	1,044,117	0.89
Granted during the year	10,000,000	0.04	49,158,526	0.072
Exercised during the year	(9,705,861)	0.03	-	-
Expired during the year	(5,573,495)	0.201	-	-
Forfeited during the year	(4,000,000)	0.13	(1,044,117)	0.89
<b>Outstanding at the end of the year</b>	<b>39,879,170</b>	<b>0.051</b>	<b>49,158,526</b>	<b>0.072</b>

There are no options that were issued but not vested at 30 June 2022 (1,133,334 unvested at 30 June 2021).

### Outstanding options

The outstanding balance of options as at 30 June 2022 is represented below.:

Grant Date	Expiry Date	Exercise Price	Share options 2022	Share options 2021
1 August 2016	1 August 2021	\$0.162	-	1,323,495
23 December 2016	23 December 2021	\$0.171	-	2,550,000
23 December 2016	23 December 2021	\$0.259	-	1,700,000
16 June 2017	3 July 2022	\$0.259	680,000	680,000
22 May 2018	19 March 2023	\$0.177	283,334	283,334
22 May 2018	22 May 2023	\$0.177	665,834	665,834
14 September 2018	14 September 2023	\$0.177	1,275,000	1,275,000
20 December 2018	1 February 2024	\$0.177	1,275,000	1,275,000
20 December 2018	1 February 2024	\$0.294	850,002	850,002
22 December 2020	31 October 2021	\$0.03	-	9,705,861
17 February 2020	1 March 2025	\$0.023	24,750,000	24,750,000
29 April 2021	29 April 2024	\$0.13	100,000	4,100,000
5 May 2022	30 June 2025	\$0.04	10,000,000	-
<b>Total</b>			<b>39,879,170</b>	<b>49,158,526</b>
The weighted average remaining life of the options outstanding at year end.			2.56 years	2.41 years

### Employee share option plan (ESOP)

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

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

## 35. Contingent assets

### Insurance Claim

The Group is currently working with its insurance providers to claim for repairs and replacements of damaged machinery and equipment as a result of the incident at the Apple Tree Creek plant. As at 30 June 2022, the underwriter has confirmed indemnity over the property claim and the company has been compensated for damages to the extent of \$1,400,000. The assessors are currently working on finalising the claim, though the extent of the claim is not virtually certain. The Group has secured replacement equipment and work is underway to bring the equipment to the site.

## 36. Commitments and contingent liabilities

### WorkSafe Queensland Penalty

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

### Wood Supply Contract

The company has entered into a wood supply agreement with HQPLANTATIONS PTY LTD. Under the terms of the agreement the Company has the following contingent liabilities at 30 June 2022:

#### Bank Guarantee

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

#### Take or Pay Provisions

There are certain take or pay provisions under the wood supply agreement. The Company has a strong working relationship with HQPLANTATIONS PTY LTD, as a result of the incident at the Plant in November 2021, the contract is now operating under force majeure.

### Commitments

At 30 June 2022 the Company had capital commitments associated with dismantling and packaging of the newly acquired plant in New Zealand. Total capital commitments at 30 June 2022 equalled \$497,018 (30 June 2021: \$0).

## 37. 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:

	2022 \$	2021 \$
<b>Cash and cash equivalents</b>	<b>745,320</b>	<b>742,600</b>

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

	2022 \$	2021 \$
<b>Net loss for the period</b>	<b>(6,032,264)</b>	<b>(9,074,136)</b>
Adjustments for:		
Depreciation	701,181	341,462
Share based payments	268,633	363,884
Borrowing costs	286,668	-
Loss on reverse acquisition transaction between Leaf Resources and Essential Queensland Pty Ltd	-	7,515,114
Insurance recoveries related to property, plant and equipment	(1,160,000)	-
Loss on disposal of property plant and equipment	1621,929	(65,100)
Unrealised loss on foreign exchange	52,568	-

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**Net changes in working capital:**

Change in trade and other receivables	643,505	(1,475,924)
Change in other assets	(2,426)	(53,971)
Change in trade and other payables	(563,705)	(82,656)
Change in provisions	3,957	-

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<b>Net cash provided/(used) in operating activities</b>	<b>(4,179,954)</b>	<b>(2,531,327)</b>
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**c) Non-cash investing and financing activities**

Settlement of executive and supplier payments by options and performance rights issued are non-cash transactions excluded from the statement of cash flows. Refer to Note 34.

The company has entered into a property lease agreement for corporate offices in Landsborough QLD. The lease commenced in September 2021 for a five-year term, with the option to renew for an additional five years.

**38. Parent entity information****Impairment testing**

At each reporting date the parent assesses whether there is any indication that an investment in a subsidiary may be impaired. If any such indication exists, the Group estimates the recoverable amount of the investment. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

An impairment loss of \$56,534 was recognised by the parent entity in operating loss for the year ended 30 June 2022 to adjust for recoverability of loans to and investments in subsidiaries. This impairment loss reduced the carrying value of the line-item investment in subsidiaries and loans to subsidiaries for the parent entity financial information but eliminates on consolidation.

- Loan to Leaf Sciences Pty Ltd – impairment expense \$47,736
- Loan to Leaf Research Pty Ltd – impairment expense \$469
- Loan to Leaf Malaysia OpCo Sdn. Bhd. – impairment expense \$7,750
- Loan to Leaf Performance Plan Pty Ltd - impairment expense \$579

The parent entity does not have any guarantees held over debts of the subsidiaries, contingent liabilities or contractual commitments as at 30 June 2022. Contingencies and commitments at note 36 relate to Essential Queensland Pty Ltd.

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

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<hr/> <b>Financial Position</b> <hr/>		
<b>Assets</b>		
Current assets	2,734,645	5,407,910
Non-current assets	12,405,636	3,707,030
<b>Total assets</b>	<b>15,140,281</b>	<b>9,114,940</b>
<hr/>		
<b>Liabilities</b>		
Current liabilities	2,707,428	2,589,648

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Non-current liabilities	1,018,306	1,294,704
<b>Total liabilities</b>	<b>3,725,734</b>	<b>3,884,352</b>

<b>Equity</b>		
Issued capital	17,134,150	9,322,974
Share based payments reserve	836,103	468,509
Retained losses	(6,555,706)	(4,560,895)
<b>Total equity</b>	<b>11,414,547</b>	<b>5,230,588</b>

<b>Financial Performance</b>		
Profit/(loss) before income tax	2,880,341	(4,560,895)
Income tax expense	-	-
<b>Total comprehensive loss for the year</b>	<b>2,880,341</b>	<b>(4,560,895)</b>

### 39. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy on consolidation. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the parent of the Group, and the proportion of ownership interests held equal the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name Unlisted:	Principal activities	Country of incorporation	Class of shares	Ownership interest	
				2022 %	2021 %
<i>Essential Queensland Pty Ltd</i>	<i>Chemicals extraction</i>	<i>Australia</i>	<i>Ord</i>	100	100
<i>AQL Mining Pty Ltd</i>	<i>Mining of gravel and general fill</i>	<i>Australia</i>	<i>Ord</i>	100	100
<i>Farmacule BioIndustries Pty Ltd</i>	<i>Research &amp; development</i>	<i>Australia</i>	<i>Ord</i>	100	100
<i>Leaf Sciences Pty Ltd</i>	<i>Intellectual property owner</i>	<i>Australia</i>	<i>Ord</i>	100	100
<i>Leaf Research Pty Ltd</i>	<i>Research &amp; development</i>	<i>Australia</i>	<i>Ord</i>	100	100
<i>Leaf Performance Plan Pty Ltd</i>	<i>Trustee of employee share trust</i>	<i>Australia</i>	<i>Ord</i>	100	100
<i>Leaf Resources USA, LLC</i>	<i>Investor in Leaf Development, LLC</i>	<i>USA</i>	<i>Ord</i>	100	100
<i>Leaf Development LLC</i>	<i>Investment Company</i>	<i>USA</i>	<i>Ord</i>	80	80
<i>Leaf Malaysia OpCo Sdn. Bhd.</i>	<i>Investment Company</i>	<i>Malaysia</i>	<i>Ord</i>	100	49

Leaf Malaysia OpCo Sdn is owned 100% by Leaf Developments LLC. Group ownership of Leaf Malaysia equates to 80% based on Leaf Resources ownership in Leaf Developments LLC. The investment in Leaf Development LLC was impaired to Nil in the prior period and there have been no movements in the current period.

#### 40. Events after the reporting period

Since 30 June 2022, the following matter has arisen which may significantly affect the operations of the Group:

- On 21 July 2022, the Company announced the completion of a share placement raising \$5.1 million before costs through the issue of 156,666,667 ordinary shares at an issue price of \$0.03, and with an additional 13,333,333 ordinary shares that are committed to be issued in September 2022. The Company also resumed trading on the ASX on the same date. Participants in the capital raising also received one share option for every two shares acquired as part of the capital raise, at an exercise price of \$0.045 per option and with an expiry date of 31 August 2023. The issue of options is subject to shareholder approval which is yet to be confirmed at the release date of this Annual Report.
- On 21 July 2022, 1,510,000 convertible notes were converted into ordinary shares at a conversion price of \$0.027 per share. The convertible notes had a \$1.00 face value, and 55,925,935 shares were issued as part of the conversion. The noteholders also received one share option for every two shares received as part of the conversion. The share options are exercisable at \$0.045 each on or before 31 August 2023. The issue of options is subject to shareholder approval which is yet to be confirmed at the release date of this Annual Report.
- The Company is currently in the process of dismantling and packing the newly acquired Taupo plant for shipment to Australia.

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## DIRECTORS' DECLARATION

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

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 2022 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.

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 2022.

Note 5 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.



**Ken Richards**  
Chairman  
Brisbane, Queensland, Australia  
26 August 2022

# Shareholder Information

The ASX additional shareholder information set out below was applicable as at 17 August 2022.

## 1. Distribution of equity security holders:

### Holding Distribution

Range	Equity security holders			
	Ordinary Shares	% of Securities	Options	Performance Rights
100,001 and over	669	98.10	10	2
50,001 to 100,000	237	1.05		
10,001 to 50,000	485	0.73		
5,001 to 10,000	211	0.09		
1,001 to 5,000	217	0.03		
1 to 1,000	443	0.01		
	<b>2,262</b>	<b>100%</b>	<b>10</b>	<b>2</b>

There are 644,250,184 ordinary shares that are subject to ASX escrow until 18 December 2022.

## 2. Quoted equity security holders:

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

	Name	Ordinary shares number	Ordinary shares % issued
1	RAMON DUDLEY MOUNTFORT & SHIRLEY JOY MOUNTFORT	590,700,000	32.88%
2	GREGORY LLOYD SAMSON & ROSEMARIE ANNE SAMSON	53,625,000	2.98%
3	ALTOR CAPITAL MANAGEMENT PTY LTD	44,955,049	2.50%
4	KELIRI PTY LTD	40,708,000	2.27%
5	MRPG INVESTMENTS (AUS) PTY LTD	38,775,000	2.16%
6	MR GRANT RICHARD LESLIE YEATMAN & MRS CARMEN RAE YEATMAN	35,250,000	1.96%
7	THE TRUST COMPANY (AUSTRALIA) LIMITED	32,623,946	1.82%
8	NATIONAL NOMINEES LIMITED	31,644,956	1.76%
9	MR MARK PHILLIP JONES	26,000,000	1.45%
10	MR JOHN WILLIAM BUSBY	25,159,260	1.40%
11	JOBRAT PTY LTD	25,000,008	1.39%
12	BRINCLIFF PTY LTD	23,666,666	1.32%
13	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	23,118,816	1.29%
14	MR GRANT RICHARD LESLIE YEATMAN & MRS CARMEN RAE YEATMAN	22,912,500	1.28%
15	NETWEALTH INVESTMENTS LIMITED	20,479,475	1.14%
16	YEATMAN GLOBAL AUSTRALIA PTY LTD	20,000,000	1.11%
17	INVIA CUSTODIAN PTY LIMITED	17,904,616	1.00%
18	KELIRI PTY LTD	13,669,167	0.76%
19	UBS NOMINEES PTY LTD	11,987,725	0.67%
20	NARRAWALLEE CAPITAL PTY LTD	11,500,000	0.64%

### 3. Unquoted equity securities – Options & Performance Rights

Expiry Date	Number on issue	Number of holders
<b>Options</b>		
Unlisted 19 March 2023	283,334	1
Unlisted 22 May 2023	665,834	3
Unlisted 14 September 2023	1,275,000	1
Unlisted 1 February 2024	2,125,002	2
Unlisted 23 December 2021	100,000	1
Unlisted 1 March 2025	24,750,000	1
Unlisted 30 June 2025	10,000,000	1
<b>Performance Rights</b>		
Unlisted 3 August 2023	33,000,000	2

### 4. Substantial holders

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

Shareholder	Number of Ordinary Shares Held	Percentage
Ramon Mountfort & Shirley Mountfort ATF Mounties1 Family Trust	590,700,000	32.88%

### 5. Unmarketable Parcels

The number of shareholders holding less than a marketable parcel is 939.

### 6. Voting Rights

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

The options and performance rights have no voting rights.

### 7. Corporate Governance

The Company's Corporate Governance Statement can be found at:  
<https://leafresources.com.au/corporate-governance/>

# Corporate Directory

Board of Directors:	Ken Richards Ramon Mountfort Terence Gray Doug Rathbone
Company Secretary:	Drew Speedy
Managing Director:	Ramon Mountfort
Registered Office & Principle Place of Business:	140 Wharf Street Maryborough, Queensland, Australia 4650 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:	Westpac Banking Corporation 260 Queen Street Brisbane, Queensland, Australia 4000
Share Registry:	Link Market Services Limited Level 21, 10 Eagle St, Brisbane, QLD, Australia, 4000 Locked Bag A14 South Sydney, NSW, Australia 1235 Telephone: +61 1300 554 474 Facsimile: +61 (2) 9287 0309
Solicitors:	Steinepreis Paganin Level 4, 50 Market Street Melbourne, Victoria, Australia 3000
ASX Code:	LER
Website:	<a href="http://www.leafresources.com.au">www.leafresources.com.au</a>

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