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# Appendix 4E

Preliminary Final Report

30 June 2023

ABN 18 074 969 056

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FORESTA GROUP HOLDINGS LIMITED

ABN 18 074 969 056

1.

Reporting period: Year ended 30 June 2023

Previous reporting period: Year ended 30 June 2022

2.

Results for announcement to the market

| Key information | | | | $'000 |
|---|---|---|---|---|
| Revenue from ordinary activities | Down | 91% | to | 16 |
| (Loss) from ordinary activities after tax attributable to members | Down | 36% | to | (8,207) |
| (Loss) for the period attributable to members | Down | 36% | to | (8,207) |

Foresta Group Holdings Limited's operating loss for the year ended 30 June 2023 amounted to $8,206,788 (30 June 2022: Loss of $6,032,263).

| | Amount per ordinary share | Franked amount per ordinary share |
|---|---|---|
| **Dividends** | **$** | **$** |
| Final | N/A | N/A |
| Interim | N/A | N/A |

Record date for determining entitlements: N/A

3. - 6.

Additional Appendix 4E disclosures for items 3 to 6 can be found in the accompanying financial statements and notes for the year ended 30 June 2023.

7.

No dividends or distributions payments have been made during the year.

8.

No dividend or distribution reinvestment plans are in operation.

9.

Net tangible assets per security

| | 30 June 2023 | 30 June 2022 |
|---|---|---|
| Net tangible assets per ordinary share | 0.39 cents | 0.42 cents |

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10.

Details of entities over which control has been gained or lost:

| | 30 June 2023 $ | 30 June 2022 $ |
|---|---|---|
| **Foresta (NZ) Limited** - Control gained on 8 December 2022. | | |
| (Loss) contribution to the reporting entity from ordinary activities | (131,478) | - |

11.

Details of associates and joint venture entities N/A

12.

The financial report has been prepared on a going concern basis.

Since the end of the reporting period, the Group has:

- Filed a new technology patent with IP Australia to protect its integrated process for organic solvents extraction with wood pellets and torrefied wood pellets production, as announced on 28 July 2023. The integration synergies enable lower production and capital costs. The Group will be using the technology in the soon to be developed Rotorua factory.
- On 7 August 2023, shareholders approved the name change of the Group's parent company from Leaf Resources Limited to Foresta Group Holdings Limited. The name change is the start of a new chapter for the Group as it looks to position itself as a global leader in manufacturing.
- On 11 August 2023, the Company announced that it signed a term sheet with Tailored Energy Resources Limited in relation to an offtake agreement to supply up to 400,000 tonnes per annum of torrefied wood pellets. The initial term is for eight years, commencing at the commissioning of the Rotorua factory.

13.

Accounting standards used in compiling financial reports for foreign entities:

| Foreign entity | Country of incorporation | Accounting standards |
|---|---|---|
| Leaf Resources USA, LLC | USA | International Financial Reporting Standards |
| Leaf Development LLC | USA | International Financial Reporting Standards |
| Leaf Malaysia OpCo Sdn. Bhd. | Malaysia | International Financial Reporting Standards |
| Foresta (NZ) Limited | New Zealand | International Financial Reporting Standards |

14.

1. Earnings per share

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

2. Returns to shareholders including distributions and buy backs - N/A

3. Significant features of operating performance - Refer to above and to shareholder update.

4. The results of segments that are significant to an understanding of the business as a whole are disclosed in Note 6 of the accompanying financial reports and notes.

5. A discussion of trends and performance - Refer to above and to shareholder update.

6. Unless otherwise explicitly stated above or in the notes to the financial statements, there are no other significant factors that could not be quantified.

15.

This report is based on the financial statements which are in the process of being audited; it is anticipated that the Audit Opinion will note that material uncertainty exists in respect to the Group's going concern basis.

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31 August 2023
Australian Securities Exchange Announcement

# Shareholder update

Dear Shareholders,

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

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

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

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

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

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

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

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

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

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

The integration of these processes continues to strengthen the company's position as a global leader in extracting the highest value from sustainably grown pine plantations as well as developing commercially viable decarbonisation projects. A third-party assessment indicates that there is a 95% reduction in greenhouse gas emissions, when coal is replaced with torrefied wood pellets. This demonstrated our integrated total solution green supply chain business model and the opportunities available herein.

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

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

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

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

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

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

Yours sincerely,

**Henry Cheng**
Executive Chairman
**Foresta Group Holdings Limited (ASX: FGH)**
31 August 2023

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**For the year ended 30 June 2023**

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

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

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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**As at 30 June 2023**

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

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**For the year ended 30 June 2023**

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

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

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# CONSOLIDATED STATEMENT OF CASH FLOWS

**For the year ended 30 June 2023**

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

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

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# NOTES TO THE FINANCIAL STATEMENTS

## 1. Basis of preparation

Thie preliminary final report has been prepared in accordance with ASX listing rule 4.3A and the disclosure requirements of ASX Appendix 4E. The preliminary final report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the last annual report issued for the period ended 30 June 2022 and any public announcements made by Foresta Group Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

## 2. Revenue from contracts with customers

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

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

## 3. Earnings per share

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

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

**Calculation of dilutive EPS**

As at 30 June 2023 there were:

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

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

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

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## 4. Other Income

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

## 5. Expenses

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

| Consolidated | Note | 2023 $ | 2022 $ |
|---|---|---|---|
| **Depreciation expense** | | | |
| Depreciation of property, plant and equipment | | 501,807 | 593,523 |
| Depreciation of right of use assets | | 114,840 | 107,658 |
| **Total** | **12** | **616,647** | **701,181** |

| | | |
|---|---|---|
| **Employee and consultant expenses** | | |
| Salaries and wages | 2,150,739 | 2,688,002 |
| Superannuation | 179,097 | 264,532 |
| Payroll tax | 36,526 | 109,591 |
| Staff training | 1,362 | 15,900 |
| Recruitment costs | 37,930 | 3,504 |
| Other employee cost | 55,986 | - |
| Consultant fees | 895,957 | 468,964 |
| **Total** | **3,357,597** | **3,550,495** |

| | | |
|---|---|---|
| **Finance expenses** | | |
| Finance costs on borrowings | 211,311 | 459,553 |
| Interest on leases | 141,571 | 110,908 |
| Finance costs on convertible notes | 20,234 | 188,196 |
| Other finance expenses | 126,737 | 937 |
| **Total** | **499,853** | **759,594** |

| | | | |
|---|---|---|---|
| **Impairment of assets** | | | |
| Impairment of fixed assets | | (94,005) | - |
| Impairment of right-of-use assets | | (11,661) | - |
| **Total** | **12** | **105,666** | **-** |

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## 6. Income Tax

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

| | 2023 $ | 2022 $ |
|---|---|---|
| Loss before income tax | (8,206,788) | (6,032,264) |
| Income tax at 25% | (2,051,697) | (1,508,066) |
| Loss relating to foreign subsidiary | 33,044 | 155 |
| Expenditure not allowable for income tax purposes | 28,162 | 98,442 |
| Movements in deferred tax balance as a result of change in tax rate | - | - |
| Movement in unrecognised tax losses and temporary differences | 1,990,491 | 548,748 |
| Net expenditure incurred in relation to R&D tax incentive | - | 860,721 |
| | | |
| Actual income tax benefit | - | - |
| Income tax refund comprises: | | |
| Current tax expense (income) | - | - |
| Deferred tax expense (income) | - | - |
| **Income tax benefit** | - | - |

| **Deferred income tax** | **2023 $** | **2022 $** |
|---|---|---|
| Deferred tax assets | | |
| -Provisions | 59,120 | 76,911 |
| -Share capital costs | 279,216 | 216,717 |
| -Patents | 97,611 | 113,051 |
| -Right of use leases | 354,572 | 373,902 |
| -Tax losses | 8,758,684 | 7,358,350 |
| **Total deferred tax asset** | **9,549,204** | **8,138,931** |
| | | |
| Deferred tax liabilities | | |
| -Trade and other payables | (100,000) | - |
| -Property, plant and equipment | (865,391) | (1,535,159) |
| -Prepayments and other assets | (16,601) | (27,052) |
| **Total deferred tax liability** | **(981,992)** | **(1,562,210)** |
| | | |
| **Net deferred tax asset/ (liability)** | **8,567,212** | (6,576,720) |
| **Deferred tax asset not recognised** | **(8,567,212)** | (6,576,720) |
| **Net deferred tax asset/ (liability) recognised** | - | - |

| **Deferred income tax (continued)** | **2023 $** | **2022 $** |
|---|---|---|
| Carried forward tax losses | 35,034,738 | 29,433,400 |
| Unused tax losses for which no deferred tax asset has been recognised | 34,268,847 | 26,306,882 |
| **Potential tax benefit at 25%** | **8,567,212** | **6,576,721** |

**Losses**

At 30 June 2023, the Group has carried forward tax losses of $35,034,738 (2022: $29,433,400) of which $34,268,847 (2022: $26,306,882) has no deferred tax asset recognised. The deferred tax asset which may be derived from these tax losses, has not been carried forward as an asset in the balance sheet and will only be recognised if:

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

**Offsetting within a tax consolidated group**

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

## 7. Current assets - cash and cash equivalents

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

## 8. Current assets - trade and other receivables

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

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

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

## 9. Non-current assets held for sale

### Non-current asset held for sale:

| **Consolidated** | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Asset held for sale (Note 12) | 1,250,173 | - |
| **Total assets held for sale** | **1,250,173** | **-** |

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

| Consolidated | 2023 $ | 2022 $ |
|---|---|---|
| Liabilities directly associated with non-current assets held for sale (Note 15) | 778,676 | - |
| **Total liabilities directly associated with non-current assets held for sale** | **778,676** | **-** |

## 10. Current assets - inventories

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

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

## 11. Current assets - other

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

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

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

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

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

* Plant and equipment are pledged as security under the Altor Pty Ltd loan facility as detailed in Note 15.

**Leased assets**

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

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

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

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

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

**Impairments Testing of Non-Financial Assets**

After the Board's decision on 29 November 2022 to move the production facility from Queensland to New Zealand, the planned effective use of the Isis Central operation site and the Maryborough office has changed. The Company has vacated the Maryborough premisses and advertised it for lease, and as the future economic benefit of the Right of Use Asset have changed, management has determined it appropriate to impair the value of the asset to $nil.

Management is, at the time of this report, considering several options in relation to the future use of the Isis Central site. Management believes the site still carries future economic benefits and have thus decided to not account for any impairment on the Right of Use Asset.

In April 2024, Management contracted a valuations agency to conduct a valuation on the plant and equipment held at the operational site. As a result, a small number of assets have been identified with a market value less cost of disposal below their individual written down book values. The Group has accounted for an impairment on the relevant assets in line with AASB 136 *Impairment of Assets*.

**Assets held for sale**

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

**Disposals**

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

## 13. Non-current assets - other

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

## 14. Current liabilities - trade and other payables

Trade and other payables consist of the following:

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

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

## 15. Current liabilities - borrowings

| Consolidated | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Altor Pty Ltd loan[A] | - | 632,783 |
| Convertible notes[B] | - | 1,467,409 |
| Other loans | 44,627 | 65,616 |
| **Current borrowings** | **44,627** | **2,165,808** |

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

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

- Loan amount: $2,000,000

- Loan term: 29 April 2024
- Interest rate: 11% per annum
- Security: a general security charge over the assets of the Company
- No equity conversion rights
- Monthly repayments of Principal and Interest with the balance repayable by the Company at any time (during the loan term)
- An amendment was executed on 5 May 2022 for an advance of $500,000 on the facility. The advance was repaid on 25 May 2022.
- As part of the original transaction Altor Capital Pty Ltd received 4,000,000 share options. These options vested immediately, and the fair value was offset against the carrying amount of the Altor loan and are recognised as borrowing costs in the statement of profit or loss over the term of the loan.
- As a result of the amendment, the 4,000,000 options were cancelled, and 10,000,000 share options were issued in return. The original 4,000,000 options vested immediately therefore the fair value of these options has remained in equity. The 10,000,000 options vested immediately, and the fair value was offset against the carrying amount of the loan advance and recognised as borrowing costs in the statement of profit or loss over the term of the advance. Refer to Note 33 for valuation considerations of the options.
- At 30 June 2023 there is a total of $6,287 accrued interest on the Altor loan included in accruals.

B. On 5 May 2022, the Company issued 1,510,000 convertible notes to investors as part of its capital raising activities. The key terms of the agreements are:
- Total subscription sum: $1,510,000
- Term: 3 months
- Interest rate: 1% per month
- Security: a general security charge over the assets of the Company
- Conversion price: $0.027 per share
- On 3 July 2022 a variation to the convertible notes was approved by the Company and the noteholders. The variation provided the noteholders with one free-attaching option for every two shares acquired through the conversion of the notes. The options were to vest at conversion date, are exercisable at $0.045 each and has an expiry date of 31 August 2023.
- On 20 July 2022, 1,510,000 notes were converted into 55,925,935 ordinary shares, at a total value of $1,677,777.

## 16. Current liabilities - derivative financial instruments

| Consolidated | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Derivative on convertible notes | - | 167,777 |
| **Current derivative financial instruments** | **-** | **167,777** |

## 17. Current liabilities - lease liabilities

| Consolidated | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Lease liabilities | 109,464 | 186,970 |
| **Current lease liabilities** | **109,464** | **186,970** |

## 18. Current liabilities - provisions

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

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

B. Foresta Group Holdings Limited's subsidiary AQL Mining Pty Ltd is required to restore the mining leases held in Karratha, Western Australia, to the extent required by the mining approvals. A provision for rehabilitation has been recognised for the present

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value of the estimated expenditure required to restore the ground site on cessation of mining. Restoration of the mining leases is progressing, and the provision is still considered an accurate estimate of the remaining liability.

C. The Group is in the process of rebuilding fixtures to the Isis Central site which were originally constructed by the landowner and provision has been made to anticipate future costs.

## 19. Non-current liabilities - borrowings

| Consolidated | 2023 $ | 2022 $ |
|---|---|---|
| Altor Pty Ltd loan (Note 15) | - | 655,083 |
| **Non-current borrowings** | **-** | **655,083** |

## 20. Non-current liabilities - lease liabilities

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

Refer to Note 25 for details of future lease payments.

## 21. Non-current liabilities - provisions

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

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

(b) The Group entered into a new lease agreement for corporate offices in Papamoa New Zealand.

## 22. Equity - issued capital

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

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

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

(a) On 23 July 2021, Foresta Group Holdings Limited successfully completed a placement raising $8,000,000 through the issue of 80,000,000 ordinary shares.

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

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

(c) On 20 July 2022, Foresta Group Holdings Limited successfully completed a placement raising $4,700,000 through the issue of 156,666,667 ordinary shares.

(d) On 20 July 2022, 1,510,000 notes were converted into 55,925,935 ordinary shares, at a total value of $1,677,777. The convertible notes were issued to external investors in May 2022.

(e) On 20 July 2022, Drew Speedy exercised his performance rights after meeting the performance requirements.

(f) On 9 September 2022, Foresta Group Holdings Limited successfully completed a placement raising $400,000 through the issue of 13,333,333 ordinary shares. The placement was agreed to along with the July 2022 placement, with deferred settlement terms.

(g) On 5 April 2023, Foresta Group Holdings Limited successfully completed a placement raising $3,024,000 through the issue of 252,000,000 ordinary shares.

## 23. Equity - reserves

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

The reserve records the value of equity benefits, i.e. share based payments, provided to employees and directors as part of their remuneration, as well as to suppliers. Refer to Note 29 Share Based Payments for further details of these plans.

## 24. Equity - accumulated losses

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

## 25. Financial instruments

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

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

***Interest rate risk***

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

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

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

Borrowings disclosed in Notes 15 and 19 have not been included in the above table as the applicable interest rates are fixed.

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

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

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

***Foreign currency risk***

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

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

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

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

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

***Credit risk***

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

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

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

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

***Liquidity risk***

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

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

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

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

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

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

| **As at 30 June 2023** | **Less than 12 months $** | **1-5 years $** | **More than 5 years $** |
|---|---|---|---|
| Trade and other payables | 360,862 | - | - |
| Lease Liabilities | 160,488 | 605,049 | 1,030,955 |
| Borrowings | 699,710 | - | - |
| **Total** | **1,221,060** | **605,049** | **1,030,955** |

***Capital risk management***

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

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

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

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

## 26. Key management personnel disclosures

Key management personnel compensation:

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

## 27. Remuneration of auditors

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

## 28. Related party transactions

***Parent Entity***

The Parent entity within the Group is Foresta Group Holdings Limited. The Company is listed on the Australian Securities Exchange with no shareholders exerting significant influence, other than those that are also key management personnel.

***Subsidiaries***

Interests in subsidiaries are set out in subsidiaries Note 34.

***Key Management Personnel***

Disclosures relating to remuneration of key management personnel are set out in Note 26 and also further details are included in the Remuneration Report contained in the Directors' Report.

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***Transactions with related parties***

The following transactions occurred with related parties:

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

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

***Terms and conditions***

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

## 29. Share-based payments

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

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

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

**Share based payment expense**

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

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

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### Outstanding performance rights

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

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

### Option summary and weighted average exercise prices

Share options and weighted average exercise prices "WAEP" are as follows for the reporting periods presented:

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

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

### Outstanding options

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

| Grant Date | Expiry Date | Exercise Price | Share options 2023 | Share options 2022 |
|---|---|---|---|---|
| 16 June 2017 | 3 July 2022 | $0.259 | - | 680,000 |
| 22 May 2018 | 19 March 2023 | $0.177 | - | 283,334 |
| 22 May 2018 | 22 May 2023 | $0.177 | - | 665,834 |
| 14 September 2018 | 14 September 2023 | $0.177 | 1,275,000 | 1,275,000 |
| 20 December 2018 | 1 February 2024 | $0.177 | 1,275,000 | 1,275,000 |
| 20 December 2018 | 1 April 2024 | $0.294 | 850,002 | 850,002 |
| 17 February 2020 | 1 March 2025 | $0.023 | 24,750,000 | 24,750,000 |
| 29 April 2021 | 29 April 2024 | $0.13 | 100,000 | 100,000 |
| 5 May 2022 | 30 June 2025 | $0.04 | 10,000,000 | 10,000,000 |
| 7 September 2022 | 31 August 2022 | $0.045 | 112,962,985 | - |
| 5 April 2023 | 31 December 2025 | $0.045 | 42,000,000 | - |
| 15 June 2023 | 31 December 2025 | $0.045 | 210,000,000 | - |
| **Total** | | | **403,212,987** | **39,879,170** |
| The weighted average remaining life of the options outstanding at year end. | | | 1.77 years | 2.56 years |

### Employee share option plan (ESOP)

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

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

## 30. Contingent assets

**Insurance Claim**

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

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

## 31. Commitments and contingent liabilities

**WorkSafe Queensland Penalty**

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

**Public Liability Claim**

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

## 32. Notes to the statement of cash flows

### a) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks, net of outstanding bank overdrafts.

Cash and cash equivalents at the end of the year as shown in the statement of cash flow is reconciled to the related item in the statement of financial position as follows:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **Cash and cash equivalents** | **1,439,582** | **745,320** |

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

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **Net loss for the period** | (8,206,788) | (6,032,264) |
| Adjustments for: | | |
| Depreciation | 616,646 | 701,181 |
| Share based payments | 112,339 | 268,633 |
| Finance costs on borrowing | 244,585 | 286,668 |
| Insurance recoveries related to property, plant and equipment | (400,000) | (1,160,000) |
| Loss on disposal and impairment of property plant and equipment | 2,293,620 | 1,621,929 |

| | | |
|---|---|---|
| Unrealised loss on foreign exchange | 61,578 | 52,568 |
| **Net changes in working capital:** | | |
| Change in trade and other receivables | 26,797 | 643,505 |
| Change in other assets | 1,986,496 | (2,426) |
| Change in trade and other payables | (190,228) | (563,705) |
| Change in provisions | (6,156) | 3,957 |
| | | |
| **Net cash provided/(used) in operating activities** | **(3,461,111)** | **(4,179,954)** |

**c) Non-cash investing and financing activities**

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

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

## 33. Parent entity information

**Impairment testing**

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

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

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

The parent entity does not have any guarantees held over debts of the subsidiaries, contingent liabilities or contractual commitments as at 30 June 2023. Contingencies and commitments at Note 31 relate to Essential Queensland Pty Ltd.

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

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **Financial Position** | | |
| **Assets** | | |
| Current assets | 1,377,226 | 2,734,645 |
| Non-current assets | 5,255,984 | 12,405,636 |
| **Total assets** | **6,633,210** | **15,140,281** |
| | | |
| **Liabilities** | | |
| Current liabilities | 897,440 | 2,707,428 |
| Non-current liabilities | 349,932 | 1,018,306 |

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| | | |
|---|---|---|
| **Total liabilities** | **1,247,372** | **3,725,734** |
| | | |
| **Equity** | | |
| Issued capital | 77,115,701 | 17,134,150 |
| Share based payments reserve | 2,020,387 | 836,103 |
| Retained losses | (73,750,249) | (6,555,706) |
| **Total equity** | **5,385,839** | **11,414,547** |
| | | |
| **Financial Performance** | | |
| Profit/(loss) before income tax | (15,544,789) | 2,880,341 |
| Income tax expense | - | - |
| **Total comprehensive loss for the year** | **(15,544,789)** | **2,880,341** |

## 34. Interests in subsidiaries

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

| **Name Unlisted:** | **Principal activities** | **Country of incorporation** | **Class of shares** | **Ownership interest** | |
|---|---|---|---|---|---|
| | | | | **2023 %** | **2022 %** |
| *Essential Queensland Pty Ltd* | *Chemicals extraction* | *Australia* | Ord | 100 | 100 |
| *AQL Mining Pty Ltd* | *Mining of gravel and general fill* | *Australia* | Ord | 100 | 100 |
| *Farmacule BioIndustries Pty Ltd* | *Research & development* | *Australia* | Ord | 100 | 100 |
| *Leaf Sciences Pty Ltd* | *Intellectual property owner* | *Australia* | Ord | 100 | 100 |
| *Leaf Research Pty Ltd* | *Research & development* | *Australia* | Ord | 100 | 100 |
| *Leaf Performance Plan Pty Ltd* | *Trustee of employee share trust* | *Australia* | Ord | 100 | 100 |
| *Leaf Resources USA, LLC* | *Investor in Leaf Development, LLC* | *USA* | Ord | 100 | 100 |
| *Leaf Development LLC* | *Investment Company* | *USA* | Ord | 80 | 80 |
| *Leaf Malaysia OpCo Sdn. Bhd.* | *Investment Company* | *Malaysia* | Ord | 100 | 100 |
| *Foresta (NZ) Limited*[A] | *Project company* | *New Zealand* | Ord | 100 | - |

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

## 35. Events after the reporting period

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

- The Company filed a new technology patent with IP Australia to protect its integrated process for organic solvents extraction with wood pellets and torrefied wood pellets production, as announced on 28 July 2023. The integration synergies enable lower production and capital costs. The Group will be using the technology in the soon to be developed Rotorua factory.
- On 7 August 2023, shareholders approved the name change of the Group's parent company from Leaf Resources Limited to Foresta Group Holdings Limited. The name change is the start of a new chapter for the Group as it looks to position itself as a global leader in manufacturing.
- On 11 August 2023, the Company announced that it signed a term sheet with Tailored Energy Resources Limited in relation to an offtake agreement to supply up to 400,000 tonnes per annum of torrefied wood pellets. The initial term is for eight years, commencing at the commissioning of the Rotorua factory.