2024 Annual Report

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**FORESTA GROUP HOLDINGS LIMITED**

**ABN 18 074 969 056**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORESTA GROUP HOLDINGS LIMITED**

## REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

### Report on the Financial Report

***Opinion***

We have audited the financial report of Foresta Group Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the 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 other explanatory information, consolidated entity disclosure statement 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 2024 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

***Basis for Opinion***

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

We confirm the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if give to the directors as at the time of this auditor's report.

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

***Material Uncertainty Related to Going Concern***

We draw attention to Note 3 in the financial statements, which indicates that the Group incurred a net loss of $9,650,145 and had negative cash flows from operating activities of $4,073,919 during the year ended 30 June 2024. These conditions, along with other matters described in Note 3, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



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***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 for the year ended 30 June 2024. 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.

| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
|---|---|
| **Carrying value of non-financial assets**<br><br>The Group has relocated its pine chemical plant operations from Apple Tree Creek, Queensland, to Rotorua, New Zealand. As a result, management assessed whether there were any indicators of impairment concerning the company's non-financial assets. This assessment concluded that such indicators were present, necessitating a review of the assets for impairment.<br><br>In completing the impairment testing, Management was required to consider, amongst other matters, the following:<br>• Determining which assets at the Apple Tree Creek and Rotorua location were to be written off, disposed through sale and adjusting their carrying values accordingly; and<br>• Assessing the right of use asset relating to Apple Tree Creek and Landsborough lease for impairment.<br><br>The assessment of the carrying value of the non-financial assets is considered a key audit matter due to the judgment and estimation involved in determining the recoverable amount of these assets and disclosures in the financial report. | Our procedures included, but were not limited to:<br><br>• Reviewed and challenged management's assessment of impairment indicators under *AASB 136: Impairment of Assets*.<br>• Obtained a list of the assets held for sale as non-current assets and agreed on the carrying amount to the valuation report.<br>• Held discussions with management to understand the plans for specific plant assets—whether they are still in use, available for use, or subject to any impairment indicators.<br>• Reviewed and challenged management's assessment of the fair value less costs of disposal for the Apple Tree Creek and Landsborough offices.<br>• Assessed the reasonableness of the methodology and assumptions applied, as well as the relevance and reliability of data used to support the carrying value of the assets.<br>• Assessed the appropriateness and adequacy of disclosures included in the financial statements. |

**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 2024 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 accordingly 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 Group 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 19 of the Directors' Report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Foresta Group Holdings Limited, for the year ended 30 June 2024, complies with section 300A of the Corporations Act 2001.

### Responsibilities

The Directors of Foresta Group Holdings Limited 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.

**Anh (Steven) Nguyen**
Director

Hall Chadwick Melbourne Audit

Level 14 440 Collins Street

Melbourne VIC 3000

Date: 22 November 2024

# Chairman's Message

To my fellow shareholders,

I am pleased to present Foresta Group Holdings Limited's FY24 Annual Report.

Over the past financial year, we have laid strong foundations for building a company poised to harness the immense opportunities in bio-based energy and chemicals. Our leadership team has made significant strides, including securing a 30-year lease for industrially zoned land in Kawerau, New Zealand, where we will establish our flagship manufacturing facility. We have initiated crucial processes such as obtaining resource consents, earthworks consents, and geotechnical investigations, with detailed plant design set to begin in Nov'24 pending funding.

The substantial demand for fossil fuel alternatives is evident, as highlighted by the numerous offtake agreements secured for our torrefied pellets and pine chemicals with world-class companies. These agreements underscore the global appetite for sustainable energy solutions. On the supply side, we have solidified an agreement with PF Olsen, ensuring 60% of the required raw feedstock for the initial stage of production.

Our success is not solely dependent on industrial progress but also on the strength of our community connections. Participating in Fieldays, the Southern Hemisphere's largest agricultural event in Hamilton, New Zealand, provided a valuable opportunity to introduce Foresta to the community and gain valuable insights from shareholders, stakeholders, politicians, and residents. It was an energising experience that reinforced our commitment to fostering strong relationships within the community.

In July 2024, we announced the resignation of our Managing Director, Mr Ramon Mountfort. On the same day, the Board welcomed Mr. Russell Allen as a Non-Executive Director. Mr. Allen brings a wealth of business experience and expertise, making him a valuable addition to our Board. Since the Managing Director's departure, we have worked closely with the leadership team to stabilise the company, focusing on reducing cash flow and strengthening short-term investments.

Looking ahead, we are actively developing a comprehensive plan to propel the Company forward. Our commitment to you, our shareholders, remains unwavering, and we are dedicated to building a positive future for Foresta.

We will continue to keep you informed of significant developments. Rest assured that transparency and accountability are paramount, and we are committed to maintaining the highest standards in our management and operations. We are excited about the future of Foresta under the leadership of the current Board of Directors.

Should you have any questions, please do not hesitate to contact us at info@forestagroup.com.au.

Thank you for your continued support.

Sincerely,

**Henry Cheng**
Executive Chairman
**Foresta Group Holdings Limited (ASX: FGH)**
22 November 2024

## Review of Operations

The Directors are pleased to present the 2024 annual report for the consolidated entity consisting of Foresta Group Holding Limited (formerly Leaf Resources Limited, "the Company" or "Foresta") and its controlled entities ("the Group").

## Kawerau Project Overview

Foresta signed a 30-year lease agreement, including a 20-year renewal option, for 9.6 hectares of industrially zoned land in Kawerau for its flagship manufacturing facility in New Zealand. This partnership with the Putauaki Trust, paves the way for the development of our innovative and state-of-the-art integrated pine chemicals and black wood pellet manufacturing plant, marking the commencement of Stage 1A.

Additionally, the lease includes an option to expand into an additional 40 hectares of adjacent industrial land.

**Strategic Location and Key Features:**

Initially considering Rotorua, Foresta selected Kawerau following extensive research and analysis, recognising it as a strategically superior location.

**Infrastructure:** The site is fully equipped with essential utilities such as power, water, gas, sewerage, and fibre/telecommunications.

**Transport Connectivity:** Adjacent to a rail line connecting directly to the port of Tauranga, ensuring efficient logistical operations.

**Road Access:** Connected to the State Highway network via a high-capacity roundabout, with future plans to link to the "off-road forestry highway" enabling efficient 60-tonne truck deliveries.

**Site Topography:** The predominantly flat terrain minimizes development complexities and associated costs.

Foresta has received approval from the Overseas Investment Office (OIO) to lease the Kawerau site. This approval, granted under the Overseas Investment Act, allows Foresta, as an overseas entity, to proceed with the lease.
New Zealand has regulation that controls overseas investment. This means that some people and entities cannot invest in sensitive New Zealand assets without consent. Foresta is an "overseas person" in terms of the Overseas Investment Act because it is incorporated overseas.

Reports are underway for resource consents, earthworks consents and geotechnical investigations with a detailed plant design commencing in May 2024.

Utilities and site services have been investigated and there is sufficient capacity for the initial plant (i.e. power, water, sewer, gas, stormwater). Additional capacity is being investigated with the utility supply organisations for future development to increase production capacity.

The preferred contractor has been selected for civil works and buildings.

## Proposed Offtake Agreements

In August 2023, Foresta successfully executed a Term Sheet with Tailored Energy Resources Limited (TERL), marking a pivotal step towards establishing a mutually beneficial offtake agreement.

We are pleased to announce the formalisation of this commitment through the signing of a binding ten-year Supply Agreement between Foresta and TERL. Under this agreement, Foresta will supply up to 65,000 tonnes annually of torrefied wood pellets, in alignment with the production capacity of our manufacturing facility situated in Kawerau, New Zealand.

Foresta's torrefied wood pellets will serve as a sustainable and low-carbon alternative to coal for TERL customers, enabling a seamless transition while leveraging existing boiler infrastructure. This collaboration gains heightens the project's significance considering New Zealand's targeted phasing out of coal boilers by 2037.

Our torrefied "black" wood pellets contribute to over a 95% reduction in carbon emissions compared to coal, aligning with New Zealand's ambitious goal of achieving net zero carbon emissions by 2050. Furthermore, this positive environmental impact extends beyond emissions reduction to include reduced shipping emissions, reinforcing the sustainability ethos integral to our operations.

The Supply Agreement, projected to generate NZD $229 million over its ten-year term, highlights the substantial economic benefits resulting from this collaboration. Crucially, the agreement offers flexibility to accommodate increased supply quantities as Foresta continues to expand its production capacity.

Additionally, Foresta has entered into a long-term sale and purchase agreement with AV Pound & Co Limited ("AV Pound") for the supply of 2,000 tonnes per annum each of natural wood rosin and natural wood terpene, both premium food-grade products. The initial term of this agreement spans five (5) years, with an option to renew for an additional five (5) years upon the commissioning of the proposed integrated manufacturing facility in Kawerau, New Zealand.

We look forward to the two companies working strategically together towards a sustainable biobased future.

## Proposed Harvesting and Supply agreements

Foresta signed a ten (10) year Harvesting Contract with Silvertree Biomass Solutions Limited ("Silvertree"). The contract represents approximately 243,000 tonnes per annum of logs, stumps and other approved biomass which accounts for the total raw feedstock requirements for initial stage of the proposed integrated manufacturing facility in New Zealand.

The contract underpins Foresta's raw material supply strategy to secure forest-cutting rights. Once cutting rights are secured, Silvertree will harvest and deliver the logs and stumps to Foresta's designated processing site. Harvesting and delivery costs of the feedstock represent 50-90% of the total supply costs of Foresta's biomass requirements.
As part of this contract, Silvertree is committed to assist in sourcing raw feedstock for Foresta on an annual basis. These supply volumes represent up to 100% of the required quantity of biomass feedstock to continuously run the initial stage production of the manufacturing plant, year upon year.

Additionally, Foresta signed a ten (10) year supply agreement with PF Olsen Limited ("PF Olsen), New Zealand's largest independent forestry services provider.

This contractual arrangement represents the supply of 150,000 tonnes per annum of logs, stumps and slash sourced from Forest Stewardship Council (FSC) forests for Foresta's flagship manufacturing facility in New Zealand, which accounts for around 61% of the total quantity of raw feedstock required for initial stage of production.

PF Olsen is New Zealand's largest independent forestry service provider and has been in operation for over 50 years. PF Olsen is responsible for planting 30% of all new forestry in New Zealand as well as managing over 160,000 ha in New Zealand and over 212,000 ha in Australia of forestry resources. PF Olsen also manages the largest harvesting portfolio in New Zealand and Australia, with a combined forestry harvest of over four (4) million tonnes per annum.

## New Patent Filed

In July 2023, Foresta filed a new technology patent with IP Australia (Australian Provisional Patent Application 2023902101). 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 invention delivers significant process synergies that will enable lower production costs, making this the world's first integrated manufacturing process. This exciting development underpins the technologies that the company has developed for its initial integrated processing plant in Kawerau, New Zealand, that will enable the manufacture of torrefied wood pellets alongside natural rosins and terpene chemicals.

## Fieldays Agriculture Exhibition

Engaging stakeholders is a key objective for Foresta as we strive to build partnerships on our journey forward. Our long-term success is intrinsically linked to enhancing the well-being of the communities and regions where we operate. The opportunity presented itself at Fieldays, the Southern Hemisphere's largest agriculture event.

Our exhibition space featured a live demonstration of pine chemical extraction, showcasing soaps made from pine chemicals and a large stump extractor. This platform enabled us to connect with a diverse audience— from curious visitors to politicians, suppliers, and shareholders.

The enthusiasm and engagement surpassed our expectations. It was clear that Foresta's vision deeply resonated with many who share our dedication to sustainability and innovation. Our project not only aims to provide meaningful employment opportunities across regions but also sparked inspiring conversations that underscore the urgency of our mission.

### Insurance

The Group has continued to work with claims preparations experts in order to finalise its property damages claim in relation to the fire at the Apple Tree Creek in November 2021. The Group's insurance underwriter confirmed indemnity over the claim in February 2022, and the Group has received $1,400,000 in insurance proceeds since. Subsequent to the reporting period the Company has received an offer of $2,230,000 as final settlement with a partial payment of $800,000 received on 3 October 2024. Management is currently working through the settlement offer with its insurance advisors.

## Corporate Update

### October 2023 Capital Raise

In October Foresta successfully raised $2.33M from new and existing investors. The total amount of the Placement was increased to accommodate for additional demand. Funds raised under the Placement were applied to accelerate the torrefied "black" pellets and pine chemical manufacturing facility project. A total of 179,423,850 New Shares were issued at an issue price of $0.013 per New Share.

### May 2024 Capital Raise

Foresta raised $1,063,250 during May 2024. Funds raised under the Placement have been applied to accelerate the torrefied "black" pellets and pine chemical manufacturing facility project. A total of 106,325,000 New Shares have been issued under the Placement at an issue price of $0.01 per New Share.

### Board Changes

On 12 July 2024, the Company announced the resignation of Managing Director, Mr Ramon Mountfort. The Board appointed Mr Russell Allen as a Non-Executive Director on the same day. Mr Allen brings a wealth of business experience, expertise and acumen, and represents a valuable addition to the Board.

## Outlook for 2024-25

Over the past financial year, we have laid strong foundations for building a company poised to harness the immense opportunities in bio-based energy and chemicals. Following a strategic board-level restructuring, our efforts have been focused on stabilising the company and optimising cash flow.

Our primary focus for 2024-25 is to secure project funding, which is currently underway. We are fully committed to driving this project forward.

# Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity consisting of Foresta Group Holdings Limited and the entities it controlled at the end of, or during, the year ended 30 June 2024.

## Directors

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

### PAI-HENG (HENRY) CHENG

**Chairman**

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

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

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

**Chairman:** Appointed 6 April 2023
**Executive Director:** Appointed 6 April 2023
**Member of the Audit and Risk Committee:** Appointed 6 April 2023
**Other current listed directorships:** None
**Previous directorships of listed companies (last 3 years):** Nil
**Interests in shares, options and performance rights at the date of this report:** Nil

### MAURIZIO (MAURICE) FABIANI

**Executive Director**

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

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

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

**Executive Director:** Appointed 6 April 2023
**Member of the Audit and Risk Committee:** Appointed 6 April 2023
**Other current listed directorships:** None
**Previous directorships of listed companies (last 3 years):** Nil
**Interests in shares, options and performance rights at the date of this report:** 47,000,000 ordinary shares, 47,000,000 unlisted options

## RUSSELL WAYNE ALLEN (appointed 12 July 2024)

**Non-Executive Director**

Mr Russell Allen is a highly successful businessman, entrepreneur and investor. Mr Allen has over 40 years' experience across several industries including international business, global trading, transport and logistics, construction, retail, hospitality, property development and investment. He has built, owned and operated several successful businesses over his career. He was previously Managing Director of Alenco Pty Ltd and Noirot Pty Ltd. Mr Allen is currently Managing Director of Formosa Group Australia Pty Ltd. Mr Allen has a wealth of business experience, expertise and acumen, and represents a valuable addition to the Board.

**Non-Executive Director:** Appointed 12 July 2024
**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:** 362,473,522 ordinary shares, 286,923,077 unlisted options, 50,000,000 convertible notes

## RAMON MOUNTFORT (resigned 12 July 2024)

**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 the 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, Resigned 12 July 2024
**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:** 432,650,000 ordinary shares, 384,616 unlisted options

## Principal activities

During the year, the Group's principal activities included research and development of environmentally sustainable methods of extracting wood chemicals on an industrial level. The Group is working on building a factory at Kawerau, New Zealand, and has been planning and securing offtake and supply partners. The project is now investment-ready and the Group is now working on raising the required capital.

## Operational and financial results

During the 2024 financial year, the Company continued to focus on planning, establishing supply and offtake agreements, and applying for consents for the factory to be built in Kawerau, New Zealand. The Company has started building relationships with key stakeholders and is now working on securing the required capital.

The Company completed share placements in both October 2023 and May 2024 to advance with the planning and development of the Kawerau factory.

The Group's operating loss for the year ended 30 June 2024 amounted to $9,650,145 (30 June 2023: $8,206,788 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:

- On 16 October 2023 Foresta successfully raised $2,332,508.
- On 20 May 2024 Foresta raised $1,063,250.

## Events arising since the end of the reporting period

Since 30 June 2024, the following matters have arisen which may significantly affect the operations of the Group:

- Managing Director, Ramon Mountfort, resigned on 12 July 2024.
- Appointment of Russell Wayne Allen as Non-Executive Director on 12 July 2024.
- Completion of a Convertible Notes raise on 31 July 2024, totalling $500,000.
- Completion of a Convertible Notes raise on 13 September 2024, totalling $75,000.
- The Company received an offer of $2,230,000 as final settlement in relation to the insurance claim in connection with the assets damaged in the Apple Tree Creek incident, with a partial payment of $800,000 received on 3 October 2024. Management is currently working through the settlement offer with its insurance advisors.
- Signed a binding Convertible Note agreement to raise $2,000,000 with settlement on 31 March 2025.
- Engaged SV Partners to investigate potential contraventions of the Corporations Act 2001 by former officers of the Company and its subsidiaries. The investigative accountant's report reviewed financial benefits and payments made to officers and related parties.
- Completion of a capital raise of $1,100,000 in November 2024 through the issue of 220,000,000 ordinary shares at $0.005 per share.

## 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 2024.

## 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 held during the year ended 30 June 2024 and the number of meetings attended by each Director / member was:

| DIRECTOR'S NAME | BOARD MEETINGS | |
|---|---|---|
| | **Entitled to attend** | **Attended** |
| RAMON MOUNTFORT | 12 | 12 |
| HENRY CHENG | 12 | 12 |
| MAURICE FABIANI | 12 | 12 |

# Remuneration Report (audited)

**The Directors of Foresta Group Holdings Limited ('the Group') present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001.* The Remuneration Report has been prepared for the period 1 July 2023 to 30 June 2024.**

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 the 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 Board for approval against performance criteria.

The remuneration structure that has been adopted by the Group consists of the following components:

- Fixed remuneration being annual salary or fees; and
- Short-term incentives being performance-based bonuses.

The Company has performance conditions linked to the executive's short-term incentives and this involves the use of annual performance objectives, performance appraisals and an emphasis on the contribution to the team and values. The criteria are set annually after consultation with the executives and are specifically tailored to the areas where each executive has a level of control and focus on where the board believe the greatest potential for expansion and execution of the business strategies. Given the stage of development of the Company, the key performance indicators focus on non-financial measures and funding measures includes the development of the New Zealand project to a stage where it is investment ready, and successfully obtain project funding.

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

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## Non-executive director remuneration

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

## Shares granted

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

## Voting and comments made at the Company's 2023 Annual General Meeting

The Company received 94.66% of "yes" votes on its remuneration report for the 2024 financial year. The Company did not receive any specific feedback at the annual general meeting on its remuneration report.

## Earnings per share

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|
| **EPS (cents)** | (0.44) | (0.44) | (0.38) | (0.72) | (0.29) |
| **Dividends (cents/share)** | - | - | - | - | - |
| **Net profit/(loss) ($)** | (9,650,145) | (8,206,788) | (6,032,263) | (9,074,136) | (949,976) |
| **Share price ($)** | 0.01 | 0.01 | 0.08[A] | 0.11 | 0.02 |

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

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

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

- Ramon Mountfort- Executive Director
- Henry Cheng - Executive Director
- Maurice Fabiani - Executive Director

And the following persons:

- Grant Yeatman – Chief Operations Officer
- Erich Van Zyl – Chief Financial Officer
- Steve Pittman – Chief Development Officer

Since the end of the reporting period, the following changes took place in relation to key management personnel:

- Ramon Mountfort, Executive Director, resigned effective 12 July 2024.
- Russell Wayne Allen was appointed as Non-Executive Director on 12 July 2024.
- Steve Pittman, Chief Development Officer, resigned effective 26 July 2024.
- Erich Van Zyl, Chief Financial Officer, resigned effective 5 September 2024.

| | | Short-term employee benefits | | Post-employment benefits | Long-term | Termination benefits | Share based payment | | | | Performance based percentage of remuneration |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Key Management Personnel | Year | Cash salary and fees | Cash bonus | Super-annuation | Long service leave | Termination payments | Shares | Options | Performance rights | Total | |
| Executive Directors | | | | | | | | | | | |
| Ramon Mountfort | **2024** | **325,292** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **325,292** | **0%** |
| | 2023 | 309,241 | - | 19,990 | - | - | - | - | - | 329,232 | 0% |
| Grant Yeatman[A] | **2024** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **0%** |
| | 2023 | 11,538 | - | 1,212 | - | - | - | - | 3,072 | 15,822 | 19% |
| Terry Gray[B] | **2024** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **0%** |
| | 2023 | 90,000 | - | 3,150 | - | - | - | - | 26,915 | 120,065 | 22% |
| Henry Cheng[C] | **2024** | **378,900** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **378,900** | **0%** |
| | 2023 | 78,150 | - | - | - | - | - | - | - | 78,150 | 0% |
| Maurice Fabiani[D] | **2024** | **378,900** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **378,900** | **0%** |
| | 2023 | 78,150 | - | - | - | - | - | - | - | 78,150 | 0% |
| Non-Executive Directors | | | | | | | | | | | |
| Doug Rathbone[E] | **2024** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **0%** |
| | 2023 | 80,448 | - | 8,447 | - | - | - | - | - | 88,895 | 0% |
| Ken Richards[F] | **2024** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **0%** |
| | 2023 | 92,000 | - | 9,660 | - | - | - | - | - | 101,660 | 0% |
| Other Key Management Personnel | | | | | | | | | | | |
| Drew Speedy[G] | **2024** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **0%** |
| | 2023 | 87,000 | - | - | - | - | - | - | 584 | 87,584 | 1% |
| Grant Yeatman[A] | **2024** | **200,000** | **-** | **22,000** | **-** | **-** | **-** | **-** | **-** | **222,000** | **0%** |
| | 2023 | 184,615 | - | 20,193 | - | - | - | - | 50,319 | 255,127 | 20% |
| Erich van Zyl[H] | **2024** | **200,000** | **-** | **22,000** | **-** | **-** | **-** | **-** | **-** | **222,000** | **0%** |
| | 2023 | 149,519 | - | 15,296 | - | - | - | - | - | 164,815 | 0% |
| Steve Pittman[I] | **2024** | **221,538** | **-** | **6,508** | **-** | **-** | **-** | **-** | **-** | **228,046** | **0%** |
| | 2023 | - | - | - | - | - | - | - | - | - | 0% |
| **2024 Total** | | **1,704,630** | **-** | **50,508** | **-** | **-** | **-** | **-** | **-** | **1,755,138** | **0%** |
| 2023 Total | | 1,160,662 | - | 77,947 | - | - | - | - | 80,890 | 1,319,499 | 6% |

A. Mr Grant Yeatman has resigned as Executive Director effective 21 July 2022, but remained with the Company as its Chief Operations Officer.
B. Mr Terence Gray has resigned from all associated roles effective 31 December 2022.
C. Mr Henry Cheng was appointed as Executive Director on 6 April 2023 following the successful placement of securities on 5 April 2023.
D. Mr Maurice Fabiani was appointed as Executive Director on 6 April 2023 following the successful placement of securities on 5 April 2023.
E. Mr Doug Rathbone has resigned from all associated roles effective 6 April 2023.
F. Mr Ken Richards has resigned from Chairman and all other associated roles effective 6 April 2023.
G. Mr Drew Speedy resigned as Chief Financial Officer on 1 October 2022, and subsequently resigned as Company Secretary on 1 July 2023.
H. Mr Erich Van Zyl was appointed as Chief Financial Officer on 1 October 2022.
I. Mr. Steve Pittman was appointed as Chief Development Officer on 24 July 2023.

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 were not met is set out below. Short-term incentive bonuses are paid in cash. No short-term incentive bonuses in respect of the 2024 financial year have been approved by the Board.

| Name | Cash bonus paid/payable | | Cash bonus forfeited | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Ramon Mountfort | 0% | 0% | 100% | 100% |

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

| | 30 June 2024 | | 30 June 2023 | |
|---|---|---|---|---|
| | Fixed remuneration | At risk Short-Term Incentives (STI) | Fixed remuneration | At risk Short-Term Incentives (STI) |
| **Executive Directors** | | | | |
| Ramon Mountfort | 100% | - | 100% | - |
| Grant Yeatman | N/A | - | 100% | - |
| Terence Gray | N/A | - | 100% | - |
| Henry Cheng | 100% | - | 100% | - |
| Maurice Fabiani | 100% | - | 100% | - |
| **Non-Executive Directors** | | | | |
| Ken Richards | N/A | - | 100% | - |
| Doug Rathbone | N/A | - | 100% | - |
| **Other Key Management Personnel** | | | | |
| Drew Speedy | N/A | - | 100% | - |
| Grant Yeatman | 100% | - | 100% | - |
| Erich Van Zyl | 100% | - | 100% | - |
| Steve Pittman | 100% | - | N/A | - |

## (c) Service agreements

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

| Name | Base salary including superannuation* | Term of agreement |
|---|---|---|
| **R Mountfort** | 325,292 | No fixed term |
| **H Cheng** | 378,900 | No fixed term |
| **M Fabiani** | 378,900 | No fixed term |
| **G Yeatman** | 222,000 | No fixed term |
| **E van Zyl** | 222,000 | No fixed term |
| **S Pittman** | 228,046 | No fixed term |

*Base salaries quoted are for the year ended 30 June 2024, they are reviewed annually by the board.

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

## (d) Share-based remuneration

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

| Grant date | Vesting date | Expiry date | Exercise price | Value[A] | % Vested |
|---|---|---|---|---|---|
| **Options** | | | | | |
| **05-Apr-2023** | 05-Apr-2023 | 31-Dec-2025 | $0.045 | $0.00323 | 100% |
| **16-Jun-2023** | 16-Jun-2023 | 31-Dec-2025 | $0.045 | $0.00304 | 100% |
| **16-Oct-2023** | 16-Oct-2023 | 16-Oct-2025 | $0.020 | $0.00581 | 100% |
| **01-Dec-2023** | 01-Dec-2023 | 01-Dec-2025 | $0.020 | $0.00235 | 100% |

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

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

Upon vesting, each option allows the holder to purchase one ordinary share at the exercise price for the respective option with the exercise period expiring five years after grant date. The options carry no dividends or voting rights and when exercisable, each option is convertible into one ordinary share. The options were provided at no cost to the recipient. All options expire on the earlier of their expiry date or termination of the individual's employment.

Options and performance rights held by KMP and Directors at 30 June 2024:

| Name | Number Granted | Grant Date | Value[A] | Number Vested | Vesting on |
|---|---|---|---|---|---|
| G Yeatman | 2,564,102 options | 16 Oct 2023[B] | - | 2,564,102 options | 16 Oct 2023 |
| M Fabiani | 42,000,000 options | 5 Apr 2023[C] | - | 42,000,000 options | 5 Apr 2023 |
| M Fabiani | 5,000,000 options | 1 Dec 2023[D] | - | 5,000,000 options | 1 Dec 2023 |
| R Allen[E] | 210,000,000 options | 16 Jun 2023[F] | - | 210,000,000 options | 16 Jun 2023 |
| R Allen[E] | 76,923,077 options | 16 Oct 2023[G] | - | 76,923,077 options | 16 Oct 2023 |
| R Mountfort[H] | 384,616 options | 1 Dec 2023[I] | - | 384,616 options | 1 Dec 2023 |

A. The assessed fair value at grant date of options and LTI rights granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount recognised for the year ended 30 June 2024 is included in the key management personal remuneration table. Fair values of options at grant date are determined using The Hull-White or Black Scholes option pricing model that takes into account various input assumptions. Fair values of performance rights with non-market based performance conditions are valued based on the spot price at grant date and an assessment of the probability of non-market based vesting conditions being met are considered by the Board at each reporting date.
B. Free attaching options under capital raising arrangement granted on 16 October 2023.
C. Free attaching options under capital raising arrangement granted by shareholders at an extraordinary general meeting on 13 June 2023.
D. Free attaching options under capital raising arrangement granted by shareholders at the annual general meeting on 28 November 2023.
E. Mr R Allen was appointed as a Non-Executive Director on 12 July 2024.
F. Free attaching options under capital raising arrangement granted on 16 June 2023.
G. Free attaching options under capital raising arrangement granted on 16 October 2023.
H. Mr R Mountfort resigned as the Managing Director effective 12 July 2024.
I. Free attaching options under capital raising arrangement granted by shareholders at the annual general meeting on 28 November 2023.

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

| Movement during the period | | | | | |
|---|---|---|---|---|---|
| | Balance 01-07-23 | Granted | Number Exercised | Number Expired | Balance 30-06-24 |
| **Year ended 30 June 2024** | | | | | |
| **Options** | | | | | |
| G Yeatman | - | 2,564,102 | - | - | 2,564,102 |
| M Fabiani | 42,000,000 | 5,000,000 | - | - | 47,000,000 |
| R Allen | 210,000,000 | 76,923,077 | - | - | 286,923,077 |
| R Mountfort | - | 384,616 | - | - | 384,616 |
| **Sub-Total** | **252,000,000** | **84,871,795** | **-** | **-** | **336,871,795** |
| **Performance Rights** | | | | | |
| G Yeatman | 16,500,000 | - | - | 16,500,000 | - |
| **Sub-Total** | **16,500,000** | **-** | **-** | **16,500,000** | **-** |
| **Total** | **268,500,000** | **84,871,795** | **-** | **16,500,000** | **336,871,795** |

| Number held at balance date | | | | | |
|---|---|---|---|---|---|
| | Balance 30-06-24 | Total vested 30-06-24 | Total Exercisable 30-06-24 | Net change other or forfeited | Total Un-Exercisable 30-06-24 |
| **Year ended 30 June 2024** | | | | | |
| **Options** | | | | | |
| G Yeatman | 2,564,102 | 2,564,102 | 2,564,102 | - | - |
| M Fabiani | 47,000,000 | 47,000,000 | 47,000,000 | - | - |
| R Allen | 286,923,077 | 286,923,077 | 286,923,077 | - | - |
| R Mountfort | 384,616 | 384,616 | 384,616 | - | - |
| **Sub-Total** | **336,871,795** | **336,871,795** | **336,871,795** | **-** | **-** |
| **Total** | **336,871,795** | **336,871,795** | **336,871,795** | **-** | **-** |

### Shares held by Key Management Personnel

The number of ordinary shares in the Company during the 2024 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out below:

| | Balance 30-06-23 | Exercise of Rights | Share Placement | Other Changes | Held at 30-06-24 |
|---|---|---|---|---|---|
| H Cheng | - | - | - | - | - |
| R Mountfort | 590,700,000 | - | 384,616 | - | 591,084,616 |
| M Fabiani | 42,000,000 | - | 5,000,000 | - | 47,000,000 |
| R Allen | - | - | - | 362,473,522 | 362,473,522 |
| G Yeatman | 58,162,500 | - | 1,282,051 | - | 59,444,551 |
| E van Zyl | 66,300 | - | - | - | 66,300 |
| S Pittman | - | - | - | 4,045,534 | 4,045,534 |
| **Total** | **690,928,800** | **-** | **6,666,667** | **366,519,056** | **1,064,114,523** |

### End of audited remuneration report.

## Options and Rights

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

| Grant Date | Expiry Date | Exercise Price | Total |
|---|---|---|---|
| **Share options** | | | |
| 17 February 2020 | 1 March 2025 | $0.023 | 24,750,000 |
| 5 May 2022 | 30 June 2025 | $0.040 | 10,000,000 |
| 5 April 2023 | 31 December 2025 | $0.045 | 42,000,000 |
| 15 June 2023 | 31 December 2025 | $0.045 | 210,000,000 |
| 16 October 2023 | 16 October 2025 | $0.020 | 182,039,234 |
| 1 Dec 2023 | 1 Dec 2025 | $0.020 | 5,384,616 |
| 20 May 2024 | 20 May 2027 | $0.020 | 10,632,500 |
| **Total Share Options** | | | **484,806,350** |
| | | | |
| **Total** | | | **484,806,350** |

### Indemnification of officers

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

a) to a party other than Foresta or a related body corporate, but only to the extent that the liability arises out of conduct in good faith, and
b) for legal costs incurred in connection with proceedings in respect of a liability incurred by them.

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

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

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

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

### Indemnity and insurance of auditor

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

### Non-audit services

During the year, Hall Chadwick, the Company's auditors, performed certain other services in addition to their statutory audit duties. Hall Chadwick was engaged to prepare independent valuation reports for the benefit of Management, on the Company's planned flagship project in New Zealand.

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, Hall Chadwick, and its related practices for audit and non-audit services provided during the year are set out below:

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| **Audit and review of financial statements - Grant Thornton** | **-** | **95,825** |
| **Audit and review of financial statements – Hall Chadwick** | **60,000** | **-** |
| **Independent valuation reports – Hall Chadwick** | **54,872** | **-** |
| **Taxation compliance services – Grant Thornton** | **13,900** | **13,900** |
| **Total auditor's remuneration** | **128,772** | **109,725** |

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

## Proceedings on behalf of the Company

No person has applied to the Court under s237 of the *Corporations Act* 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

## Rounding of amounts

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

## Directors' authorisation

Signed in accordance with a resolution of the Directors.

**Henry Cheng**
Chairman
Melbourne, Victoria, Australia
22 November 2024

**Maurice Fabiani**
Executive Director
Melbourne, Victoria, Australia
22 November 2024

**FORESTA GROUP HOLDINGS LIMITED**
**ABN 18 074 969 056**

**AUDITOR'S INDEPENDENCE DECLARATION**
**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**
**TO THE DIRECTORS FORESTA GROUP HOLDINGS LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Foresta Group Holdings Limited and controlled entities. As the lead audit partner for the audit of the financial report of Foresta Group Holdings Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Anh (Steven) Nguyen
Director
Date: 22 November 2024

Hall Chadwick Melbourne
Level 14 440 Collins Street
Melbourne VIC 3000

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**For the year ended 30 June 2024**

| | Note | 2024<br>$ | 2023<br>$ |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from contracts with customers | 6 | - | 15,792 |
| Insurance recoveries | | 1,830,956 | 403,136 |
| Other income | 8 | 40,216 | 39,340 |
| | | | |
| **Expenses** | | | |
| Plant operating expenses | | (151,330) | (603,736) |
| Depreciation and amortisation | 9 | (323,381) | (616,646) |
| Employee and consultant expenses | 9 | (3,183,311) | (3,357,597) |
| Other expenses | | (848,412) | (1,057,615) |
| Finance expense | 9 | (186,475) | (499,853) |
| Share-based payments | | (50,000) | (112,339) |
| Loss on sale of fixed assets | | (36,728) | - |
| Loss on write-off of fixed assets | | - | (2,196,693) |
| Impairment of assets | 9 | (6,638,927) | (105,666) |
| Foreign currency gain / (loss) | | (102,753) | (114,911) |
| **Loss before income tax** | | **(9,650,145)** | **(8,206,788)** |
| | | | |
| Income tax expense | 10 | - | - |
| **Loss for the year after income tax expense** | | **(9,650,145)** | **(8,206,788)** |
| | | | |
| Other comprehensive income for the year | | - | - |
| **Total comprehensive loss for the year** | | **(9,650,145)** | **(8,206,788)** |

| **Earnings per share from continuing operations** | | **Cents** | **Cents** |
|---|---|---|---|
| Basic loss per share | 7 | (0.44) | (0.44) |
| Diluted loss per share | 7 | (0.44) | (0.44) |

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**As at 30 June 2024**

| | Note | 2024 $ | 2023 $ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 11 | 185,748 | 1,439,582 |
| Trade and other receivables | 12 | 2,307,361 | 532,140 |
| Inventories | 14 | 3,303 | 34,203 |
| Other current assets | 15 | 71,403 | 211,286 |
| Non-current assets held for sale | 13 | 124,492 | 1,250,173 |
| **Total Current Assets** | | **2,692,307** | **3,367,384** |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 16 | 938,487 | 6,103,431 |
| Right-of-use assets | 17 | 92,975 | 1,316,723 |
| Other non-current assets | 18 | 37,899 | 37,970 |
| **Total Non-Current Assets** | | **1,069,361** | **7,558,124** |
| **Total Assets** | | **3,761,668** | **10,925,508** |
| **Current Liabilities** | | | |
| Trade and other payables | 19 | 497,578 | 360,862 |
| Borrowings | 20 | 45,233 | 44,627 |
| Lease liability | 21 | 127,766 | 109,464 |
| Provisions | 22 | 160,364 | 150,036 |
| Liabilities directly associated with non-current assets held for sale | 13 | 72,561 | 778,676 |
| **Total Current Liabilities** | | **903,502** | **1,443,665** |
| **Non-Current Liabilities** | | | |
| Borrowings | 23 | 85,312 | - |
| Lease liability | 24 | 1,129,131 | 1,447,020 |
| Provisions | 25 | 52,910 | 36,816 |
| **Total Non-Current Liabilities** | | **1,267,353** | **1,483,836** |
| **Total Liabilities** | | **2,170,855** | **2,927,501** |
| **Net Assets** | | **1,590,813** | **7,998,007** |
| **Equity** | | | |
| Issued capital | 26 | 35,462,635 | 32,406,009 |
| Reserves | 27 | 1,371,621 | 1,185,296 |
| Accumulated losses | 28 | (35,243,443) | (25,593,298) |
| **Total Equity** | | **1,590,813** | **7,998,007** |

**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 2024**

| | Issued Capital<br>$ | Accumulated Losses<br>$ | Share Based Payment Reserve<br>$ | Total Equity<br>$ |
|---|---|---|---|---|
| **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 transaction 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** |
| | | | | |
| **Balance at 1 July 2023** | **32,406,009** | **(25,593,298)** | **1,185,296** | **7,998,007** |
| Loss after income tax expense for the year | - | (9,650,145) | - | (9,650,145) |
| Other comprehensive income | - | - | - | - |
| **Total comprehensive loss for the year** | **-** | **(9,650,145)** | **-** | **(9,650,145)** |
| | | | | |
| Shares issued (note 26) | 3,495,758 | - | - | 3,495,758 |
| Share issue transaction costs (note 26) | (439,132) | - | - | (439,132) |
| Shares issued - convertible notes (note 26) | - | - | - | - |
| Share-based payments – options & rights (note 33) | - | - | 186,325 | 186,325 |
| **Total transactions with owners** | **3,056,626** | **-** | **186,325** | **3,242,951** |
| **Balance as at 30 June 2024** | **35,462,635** | **(35,243,443)** | **1,371,621** | **1,590,813** |

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

foresta

# CONSOLIDATED STATEMENT OF CASH FLOWS

**For the year ended 30 June 2024**

| | Note | 2024<br>$ | 2023<br>$ |
|---|---|---|---|
| **Net cash flows from operating activities** | | | |
| Receipts from customers | | 59,149 | 70,361 |
| Insurance recoveries | | - | 3,136 |
| Other Income | | 100,000 | - |
| Payments to suppliers & employees | | (4,077,426) | (5,180,416) |
| Interest received | | 1,036 | 4,991 |
| Interest paid | | (156,678) | (264,032) |
| R&D tax incentive refund | | - | 1,904,849 |
| **Net cash used in operating activities** | **36(b)** | **(4,073,919)** | **(3,461,111)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Payment for property, plant and equipment | | (558,889) | (2,525,303) |
| Receipts on sale of property, plant and equipment | | 1,080,927 | 148,182 |
| **Net cash used in investing activities** | | **522,038** | **(2,377,121)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | | 3,481,908 | 8,124,000 |
| Share issue transaction costs | | (288,957) | (542,440) |
| Proceeds from borrowings | | 145,952 | 198,079 |
| Repayment of borrowings | | (845,438) | (888,783) |
| Payment of principal portion of lease costs | | (174,686) | (296,784) |
| **Net cash provided by (used in) financing activities** | | **2,318,779** | **6,594,072** |
| | | | |
| Net increase in cash and cash equivalents | | (1,233,102) | 755,840 |
| Foreign exchange losses | | (20,733) | (61,578) |
| Cash and cash equivalents at the beginning of the period | | 1,439,583 | 745,320 |
| **Cash and cash equivalents at the end of the period** | **36(a)** | **185,748** | **1,439,582** |

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Nature of operations

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

## 2. General information and statement of compliance

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

Foresta Group Holdings Limited is the Group's Ultimate Parent Company. Foresta Group Holdings Limited is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Level 7, 330 Collins Street Melbourne VIC 3000. Shareholders approved the Company's name change to Foresta Group Holdings Limited on 7 August 2023.

The consolidated financial statements for the year ended 30 June 2024 were approved and authorised for issue by the Board of Directors on 21 November 2024.

## 3. Going Concern

The financial statements have been prepared on a going concern basis, reflecting the Group's expectation to continue its normal business operations, successfully realise its assets, and discharge its liabilities in the ordinary course of business.

For the year ended 30 June 2024, the Group incurred a loss before income tax of $9,650,145 (2023: $8,206,788), with negative cash flows from operating activities amounting to $4,073,919 (2023: $3,461,111). During this period, the Group made a strategic decision to decommission its Apple Tree Creek site and relocate operations to New Zealand, where it plans to build a new factory. These actions, combined with ongoing challenges in revenue generation, have introduced a significant level of uncertainty, raising doubts about the Group's ability to continue as a going concern.

Despite these challenges, the Group remains committed to its strategic goals, particularly the establishment of the New Zealand factory, and is optimistic about achieving these objectives within the next 12 months and beyond. To address immediate financial obligations, the Group has undertaken the following:

- Successfully completed a capital raising totalling $1,100,000 as announced on 22 November 2024.
- Received an offer of $2,230,000 as final settlement in relation to its ongoing insurance claim in connection with assets damaged in the Apple Tree Creek incident, with a partial payment of $800,000 received on 3 October 2024. Management is currently working through the settlement offer with its insurance advisors.
- Successfully executed a convertible note agreement to receive $2,000,000 on 31 March 2025.
- Undertaken a process of divesting assets related to the Apple Tree Creek site and exiting its lease agreement for the facility, a strategy intended to reduce debt and generate essential liquidity.

Securing funding for the construction of the New Zealand factory is also a priority. The Group has presented its comprehensive business plan to the New Zealand government and international investors and is engaged in exploratory discussions with financial institutions and investors to secure a combination of equity and debt financing.

Based on the above, alongside other strategic measures and ongoing discussions with potential project funding providers, the Group remains confident in its ability to meet its obligations. Consequently, management has determined that the going concern basis of accounting remains appropriate for the 2024 financial year's annual report. However, it is acknowledged that, despite a high probability of raising future capital, there remains inherent uncertainty regarding the Group's ability to secure sufficient capital or insurance recoveries, which could cast doubt on its ability to meet its commitments. As such, material uncertainty exists regarding the Group's ability to continue as a going concern. No adjustments have been made in the 2024 annual report relating to the recoverability and classification of recorded asset amounts or the classification of liabilities, which may become necessary should the Group's ability to continue as a going concern be compromised.

## 4. Summary of material 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 Policies Adopted by the Group**

- AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definitions of Accounting Estimates

  The Group adopted AASB 2021-2 which makes some small amendments to a number of standards including the following: AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2.

  The adoption of the amendment did not have a material impact on the financial statements.
- AASB 2022-7: Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards

  AASB 2022-7 makes various editorial corrections to a number of standards effective for reporting periods beginning on or after 1 January 2023. The adoption of the amendment did not have a material impact on the financial statements.

The Group has adopted all amendments required for the year ended 30 June 2024. The adoption of these amendments did not have a material impact on the financial statements.

**New or amended Accounting Policies Not Yet Adopted by the Group**

- AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current and Non-current

  The amendment amends AASB 101 to clarify whether a liability should be presented as current or non-current.

  The Group plans on adopting the amendment for the reporting period ending 30 June 2025. The amendment is not expected to have a material impact on the financial statements once adopted.
- AASB 2022-6: Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants

  AASB 2022-6 amends AASB 101 to improve the information an entity provides in its financial statements about liabilities arising from loan arrangements for which the entity's right to defer settlement of those liabilities for at least 12 months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement. It also amends an example in Practice Statement 2 regarding assessing whether information about covenants is material for disclosure. The Group plans on adopting the amendment for the reporting period ending 30 June 2025. The amendment is not expected to have a material impact on the financial statements once adopted.

No other new and amended accounting standards not yet adopted are expected to have a material effect on the entity and will be adopted as required.

**Basis of preparation**

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

*Historical cost convention*

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

*Critical accounting estimates*

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

**Parent entity information**

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

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Foresta Group Holdings Limited ('Company' or 'parent entity') as at 30 June 2024 and the results of all subsidiaries for the year then ended. Foresta Group Holdings Limited and its subsidiaries together are referred to in these financial statements as the Group.

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

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

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

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

**Operating segments**

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

**Foreign currency translation**

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

*Foreign currency transactions*

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

**Revenue recognition**

The Group recognises revenue as follows:

*Revenue from contracts with customers*

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

**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.

**Income tax**

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

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

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

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

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

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

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

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

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

**Current and non-current classification**

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

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

**Cash and cash equivalents**

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

**Trade and other receivables**

Trade receivables are initially recognised at fair value less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

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

Other receivables are recognised at fair value, less any allowance for expected credit losses.

**Financial instruments**

*Financial assets*

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

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

*Impairment of financial assets*

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

*Financial liabilities*

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

**Property, plant and equipment**

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

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

| | |
|---|---|
| Plant and equipment | 3-15 years |
| Leasehold improvements | 9-10 years |
| Motor vehicles | 5-8 years |

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

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

**Right-of-use assets**

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

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

**Trade and other payables**

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

**Borrowings**

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

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

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

**Lease liabilities**

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

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

**Finance costs**

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

**Provisions**

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

**Employee benefits**

*Short-term employee benefits*

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

*Other long-term employee benefits*

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

*Share-based payments*

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

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

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

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

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

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

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

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

**Fair value measurement**

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

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

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

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

#### Issued capital

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

#### Non-current assets held for sale

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

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

#### Earnings per share

*Basic earnings per share*

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

*Diluted earnings per share*

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

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

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

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

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

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

#### Rounding of amounts

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

## 5. Critical accounting judgements, estimates and assumptions

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

*Share-based payment transactions*
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 32 for further information.

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

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

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

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

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

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

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

During the financial year, the Group reassessed the lease term for Landsborough, initially including an option to extend the lease by an additional 5 years. As a result of a strategic decision not to exercise this option, the lease term was reduced by 5 years. This reassessment led to a reduction in the lease liability by $184,286 and a corresponding reduction in the right-of-use asset by $184,286.

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

## 6. Revenue from contracts with customers

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

| **Consolidated** | **Woodchip** $ | **Total** $ |
|---|---|---|
| **30 Jun 2023** | | |
| **Timing of revenue recognition** | | |
| Goods transferred at a point in time | 15,792 | 15,792 |
| **Total Revenue** | **15,792** | **15,792** |
| | | |
| **30 Jun 2024** | | |
| **Timing of revenue recognition** | | |
| Goods transferred at a point in time | - | - |
| **Total Revenue** | - | - |

## 7. Earnings per share

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

| **Reconciliation of earnings used in calculating earnings per share** | **2024** $ | **2023** $ |
|---|---|---|
| Loss attributable to the owners of Foresta Group Holdings Limited used in the calculation of basic and dilutive EPS | (9,650,145) | (8,206,788) |
| Loss attributable to the owners of Foresta Group Holdings Limited | (9,650,145) | (8,206,788) |
| **Weighted average number of ordinary shares** | **Number** | **Number** |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 2,204,091,728 | 1,855,062,114 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per shares | 2,204,091,728 | 1,855,062,114 |
| Loss per share and Diluted loss per share (cents) | 0.44 | 0.44 |

**Calculation of dilutive EPS**
As at 30 June 2024 there were 484,806,350 unlisted options on issue which have vested. The 484,806,350 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 2023, there were 193,212,987 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 16,500,000 unlisted performance rights on issue which have not yet vested.

## 8. Other Income

| Consolidated | 2024 $ | 2023 $ |
|---|---|---|
| Interest income | 1,036 | 4,991 |
| Other revenue | 3,647 | 23,338 |
| Gain on disposal of assets | 35,533 | 11,011 |
| **Total** | **40,216** | **39,340** |

## 9. Expenses

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

| Consolidated | Note | 2024 $ | 2023 $ |
|---|---|---|---|
| **Depreciation expense** | | | |
| Depreciation of property, plant and equipment | 16 | 174,920 | 501,807 |
| Depreciation of right of use assets | 17 | 148,461 | 114,840 |
| **Total** | | **323,381** | **616,647** |

| | | |
|---|---|---|
| **Finance expenses** | | |
| Finance costs on borrowings | 81,070 | 211,311 |
| Interest on leases | 105,405 | 141,571 |
| Finance costs on convertible notes | - | 20,234 |
| Other finance expenses | - | 126,737 |
| **Total** | **186,475** | **499,853** |

| | | | |
|---|---|---|---|
| **Impairment of assets** | | | |
| Impairment of fixed assets | 16 | 5,747,926 | 94,005 |
| Impairment of right-of-use assets | 17 | 891,001 | 11,661 |
| **Total** | | **6,638,927** | **105,666** |

| | | |
|---|---|---|
| **Employee and consultant expenses** | | |
| Salaries and wages | 2,271,686 | 2,150,739 |
| Superannuation | 104,401 | 179,097 |
| Payroll tax | 2,088 | 36,526 |
| Staff training | 2,038 | 1,362 |
| Recruitment costs | 933 | 37,930 |
| Adjustment to accrued benefits | (66,222) | - |
| Other employee cost | 24,253 | 55,986 |
| Consultant fees | 844,134 | 895,957 |
| **Total** | **3,183,311** | **3,357,597** |

## 10. Income Tax

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

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Loss before income tax | (9,650,145) | (8,206,788) |
| Income tax at 25% | (2,412,536) | (2,051,697) |
| Loss relating to foreign subsidiary | 308,324 | 33,044 |
| Expenditure not allowable for income tax purposes | 12,500 | 28,162 |
| Movement in unrecognised tax losses and temporary differences | 2,091,712 | 1,990,491 |

| **Deferred income tax** | **2024**<br>**$** | **2023**<br>**$** |
|---|---|---|
| Deferred tax assets | | |
| -Provisions | 52,384 | 59,120 |
| -Share capital costs | 285,141 | 279,216 |
| -Patents | 94,650 | 97,611 |
| -Right of use leases | 290,167 | 354,572 |
| -Tax losses | 9,436,023 | 8,758,684 |
| **Total deferred tax asset** | **10,158,365** | **9,549,204** |
| Deferred tax liabilities | | |
| -Trade and other payables | (557,500) | (100,000) |
| -Property, plant and equipment | (32,109) | (865,391) |
| -Prepayments and other assets | (12,308) | (16,601) |
| **Total deferred tax liability** | **(601,917)** | **(981,992)** |
| **Net deferred tax asset/ (liability)** | **9,556,448** | **8,567,212** |
| **Deferred tax asset not recognised** | **(9,556,448)** | **(8,567,212)** |
| **Net deferred tax asset/ (liability) recognised** | - | - |

| **Deferred income tax (continued)** | **2024**<br>**$** | **2023**<br>**$** |
|---|---|---|
| Carried forward tax losses | 37,744,091 | 35,034,738 |
| Unused tax losses for which no deferred tax asset has been recognised | 38,225,793 | 34,268,847 |
| **Potential tax benefit at 25%** | **9,556,448** | **8,567,212** |

**Losses**

At 30 June 2024, the Group has carried forward tax losses of $37,744,091 (2023: $35,034,738) of which $38,225,793 (2023: $34,268,847) has no deferred tax asset recognised. The deferred tax asset which may be derived from these tax losses, has not been carried forward as an asset in the balance sheet and will only be recognised if:

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

**Offsetting within a tax consolidated group**

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

## 11. Current assets - cash and cash equivalents

| Cash and cash equivalents include the following components: | 2024 $ | 2023 $ |
|---|---|---|
| Cash at bank and in hand | 185,748 | 1,439,582 |
| **Cash and cash equivalents** | **185,748** | **1,439,582** |

## 12. Current assets - trade and other receivables

| | 2024 $ | 2023 $ |
|---|---|---|
| Trade receivables | - | 22,257 |
| Allowance for expected credit losses | - | - |
| **Net trade receivables** | **-** | **22,257** |
| Insurance receivable | 2,230,000 | 400,000 |
| GST receivable | 77,361 | 109,883 |
| **Total Trade and other receivables** | **2,307,361** | **532,140** |

Trade receivables are initially recognised at fair value a less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

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

## 13. Current assets – non-current assets held for sale

### Non-current asset held for sale:

| **Consolidated** | 2024 $ | 2023 $ |
|---|---|---|
| Asset held for sale | 124,492 | 1,250,173 |
| **Total assets held for sale** | **124,492** | **1,250,173** |

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

| **Consolidated** | 2024 $ | 2023 $ |
|---|---|---|
| Liabilities directly associated with non-current assets held for sale | 72,561 | 778,676 |
| **Total liabilities directly associated with non-current assets held for sale** | **72,561** | **778,676** |

## 14. Current assets - inventories

| **Consolidated** | 2024 $ | 2023 $ |
|---|---|---|
| Diesel | 3,303 | 4,128 |
| Light fuel oil | - | 30,075 |
| **Inventories** | **3,303** | **34,203** |

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

## 15. Current assets - other

| Consolidated | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Prepayments | 71,403 | 104,948 |
| Deposits | - | 6,338 |
| Security deposits (bank guarantees) | - | 100,000 |
| **Other current assets** | **71,403** | **211,286** |

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

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

| Consolidated | Plant & Equipment<br>$ | Motor Vehicles<br>$ | Leasehold Improvements<br>$ | Work in Progress<br>$ | Total<br>$ |
|---|---|---|---|---|---|
| Cost | 1,386,482 | 141,436 | 78,829 | 4,984,757 | 6,591,504 |
| Accumulated depreciation and impairment | (434,685) | (40,324) | (13,064) | - | (488,073) |
| **Closing balance at 30 June 2023** | **951,797** | **101,112** | **65,765** | **4,984,757** | **6,103,431** |
| | | | | | |
| Cost | 50,669 | 354,312 | - | 612,597 | 1,017,578 |
| Accumulated depreciation and impairment | (11,716) | (67,375) | - | - | (79,091) |
| **Closing balance at 30 June 2024** | **38,953** | **286,937** | **-** | **612,597** | **938,487** |

**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<br>$ | Motor Vehicles<br>$ | Leasehold Improvements<br>$ | Work in Progress<br>$ | Total<br>$ |
|---|---|---|---|---|---|
| Opening written down value 1 July 2022 | 4,966,840 | 15,348 | 73,648 | 3,120,395 | 9,176,231 |
| Additions | 143,582 | 105,012 | - | 1,864,362 | 2,112,956 |
| Impairment | (94,005) | - | - | - | (94.005) |
| 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) | - | (501,807) |
| **Closing balance at 30 June 2023** | **951,797** | **101,112** | **65,765** | **4,984,757** | **6,103,430** |
| | | | | | |
| Opening written down value 1 July 2023 | **951,797** | **101,112** | **65,765** | **4,984,757** | **6,103,430** |
| Additions | 23,153 | 212,875 | - | 513,849 | 749,877 |
| Impairment | (764,578) | - | (57,882) | (4,886,009) | (5,708,469) |
| Transfer of assets held for sale | (14,385) | - | - | - | (14,385) |
| Disposals | (17,047) | - | - | - | (17,047) |
| Depreciation | (139,987) | (27,050) | (7,883) | - | (174,919) |
| **Closing balance at 30 June 2024** | **38,953** | **286,937** | **-** | **612,597** | **938,487** |

**Impairment Testing of Plant and Equipment - Work in Progress**

Management has reviewed the plant purchased and stored in New Zealand, specifically the second-hand extraction plant purchased in 2022. Management believes the plant has deteriorated significantly and would require significant repair before it can be reutilised. Management has decided to scrap the plant and plans to purchase a new extraction plant upon funding of the New Zealand project. An impairment of $4,886,009 was accounted for in line with AASB 136 *Impairment of Assets*. On 26 August 2024, the Company announced its decision to scrap the extraction plant.

**Impairment Testing of Plant and Equipment**

Management has reviewed the assets held at the Apple Tree Creek site. As a result of the decision to exit the lease, management have been advertising marketable assets for sale, as classified under Non-current Assets Held for Sale (see Note 13). The remaining assets will be scrapped to ensure efficient clearing of the site in order to exit the lease. As a result, and impairment of $755,141 was accounted for in line with AASB 136 *Impairment of Assets*.

Additionally, as management is working on exiting the Landsborough office lease, the assets held at the premises have also been assessed for impairment. An impairment of $57,882 was recognised in relation to Leasehold Improvements associated with the Landsborough office, and an additional $9,437 impairment was recognised for plant and equipment stored in the facility.

**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.

## 17. Non-current assets - right-of-use assets

Right-of-use assets are included in the accounts, at cost, on the following basis:

| Consolidated | Property Leases – Right-of-use $ | Total $ |
|---|---|---|
| Cost | 1,742,997 | 1,742,997 |
| Accumulated depreciation and impairment | (426,274) | (426,274) |
| **Closing balance at 30 June 2023** | **1,316,723** | **1,316,723** |
| | | |
| Cost | 152,141 | 152,141 |
| Accumulated depreciation and impairment | (59,166) | (59,166) |
| **Closing balance at 30 June 2024** | **92,975** | **92,975** |

**Movements in carrying amounts for right-of-use assets**

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

| Consolidated | Property Leases – Right-of-use $ | Total $ |
|---|---|---|
| Opening written down value 1 July 2022 | 1,291,070 | 1,291,070 |
| Additions | 152,155 | 152,155 |
| Impairment | (11,662) | (11,662) |
| Depreciation | (114,840) | (114,840) |
| **Closing balance at 30 June 2023** | **1,316,723** | **1,316,723** |
| Opening written down value 1 July 2023 | **1,316,723** | **1,316,723** |
| Additions | - | - |
| Impairment | (891,001) | (891,001) |
| Lease measurement | (184,286) | (184,286) |
| Depreciation | (148,461) | (148,461) |
| **Closing balance at 30 June 2024** | **92,975** | **92,975** |

**Leased assets**

The Group leases land and buildings for its offices used in its operations. The lease terms consist of:

| | |
|---|---|
| Operational site - Isis Central | 20 years |
| Corporate office - Landsborough | 5 years |
| Corporate office - Papamoa | 3 years |

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 5 and 3 years respectively. The right-of-use assets included above have been calculated on the fixed lease period and do not include the potential option period.

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

**Impairments Testing of Apple Tree Creek**

As a result of the decision to move the factory to New Zealand, management is currently exploring alternatives to exit the Apple Tree Creek site. The significant change in the planned use of the site is regarded as an indicator of impairment and the Company has assessed the right-of-use asset on 30 June 2024 to ensure that the asset is not accounted for at more than its recoverable amount.

The assessment has resulted in $812,719 being accounted for as an impairment expense on 30 June 2024 to fully impair the right-of-use asset associated with the Apple Tree Creek lease.

**Impairments Testing of Landsborough**

Management also assessed the right-of-use asset associated with its Landsborough office lease to ensure that it is not accounted for in excess of its recoverable amount. Additionally, the right-of-use asset and lease originally recognised included management's expectation to renew the lease for a further 5 years upon the original 5-year lease term. Management is now following the process for the early termination of the lease.

After assessing the future use of the office lease, management accounted for a reassessment of the lease term which reduced the value of the assets by $184,286 and an impairment expense of $78,283 on 30 June 2024.

## 18. Non-current assets – other

| Consolidated | 2024 $ | 2023 $ |
|---|---|---|
| Deposits | 37,899 | 37,970 |
| **Other non-current assets** | **37,899** | **37,970** |

## 19. Current liabilities - trade and other payables

Trade and other payables consist of the following:

| Consolidated | 2024 $ | 2023 $ |
|---|---|---|
| Trade payables | 391,389 | 215,611 |
| Accruals | 106,189 | 145,251 |
| **Total trade and other payables** | **497,578** | **360,862** |

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

| Consolidated | 2024 $ | 2023 $ |
|---|---|---|
| Vehicle finance | 13,861 | - |
| Insurance premium funding | 31,372 | 44,627 |
| **Current borrowings** | **45,233** | **44,627** |

## 21. Current liabilities - lease liabilities

| Consolidated | 2024 $ | 2023 $ |
|---|---|---|
| Lease liabilities | 127,766 | 109,464 |
| **Current lease liabilities** | **127,766** | **109,464** |

## 22. Current liabilities - provisions

| Consolidated | 2024 $ | 2023 $ |
|---|---|---|
| Employee leave entitlements[A] | 105,364 | 86,581 |
| Mining rehabilitation provisions[B] | 50,000 | 50,000 |
| Provision for make good[C] | 5,000 | 13,455 |
| **Total current provisions** | **160,364** | **150,036** |

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

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

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

## 23. Non-current liabilities – borrowings

| Consolidated | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Vehicle finance | 85,312 | - |
| **Non-current borrowings** | **85,312** | **-** |

## 24. Non-current liabilities - lease liabilities

| Consolidated | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Lease liabilities | 1,129,131 | 1,447,020 |
| **Non-current lease liabilities** | **1,129,131** | **1,447,020** |

## 25. Non-current liabilities – provisions

| Consolidated | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Employee leave entitlements[(a)] | 48,346 | 32,222 |
| Provision for make good[(b)] | 4,564 | 4,594 |
| **Total non-current provisions** | **52,910** | **38,816** |

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

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

## 26. Equity - issued capital

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

| | 2024<br>Number | 2024<br>$ | 2023<br>Number | 2023<br>$ |
|---|---|---|---|---|
| **Movements in ordinary share capital** | | | | |
| Balance at beginning of financial year | 2,062,038,878 | 32,406,009 | 1,582,112,943 | 23,146,672 |
| Shares issued (a) | - | - | 156,666,667 | 4,700,000 |
| Conversion of notes (b) | - | - | 55,925,935 | 1,677,777 |
| Rights exercised (c) | - | - | 2,000,000 | - |
| Shares issued (d) | - | - | 13,333,333 | 400,000 |
| Shares issued (e) | - | - | 252,000,000 | 3,024,000 |
| Shares issued (f) | 3,424,658 | 50,000 | - | - |
| Shares issued (g) | 174,093,234 | 2,262,508 | - | - |
| Shares issued (h) | 5,384,616 | 70,000 | - | - |
| Shares issued (i) | 4,166,667 | 50,000 | - | - |
| Shares issued (j) | 106,325,000 | 1,063,250 | - | - |
| Transaction costs | - | (439,132) | - | (542,440) |
| **Total contributed equity** | **2,355,433,053** | **35,462,635** | **2,062,038,878** | **32,406,009** |

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

(a) 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.

(b) 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.

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

(d) 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.

(e) 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.

Notes for the above table, relating to the year ended 30 June 2024, are:

(f) On 28 August 2023, the Company issued 3,424,658 ordinary shares at a value of $50,000 to fund corporate advisory services.

(g) On 16 October 2023, Foresta Group Holdings Limited successfully completed a placement raising of $2,262,508 through the issue of 174,093,234 ordinary shares.

(h) On 28 November 2023, Shareholders approved the issue of 5,384,616 ordinary shares, raising $70,000.

(i) On 26 February 2024, the company issued 4,166,667 ordinary shares at a value of $50,000 to funs corporate advisory services.

(j) On 20 May 2024, Foresta Group Holdings Limited successfully completed a placement raising $1,063,250 through the issue of 106,325,000 ordinary shares.

## 27. Equity - reserves

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| **Share-based payments reserve** | | |
| Movements: | | |
| Balance at beginning of the financial year | 1,185,296 | 928,552 |
| Share-based payment expense | 186,325 | 112,339 |
| Share-based payment capitalised transaction costs | - | 144,405 |
| Balance at the end of the financial year | **1,371,621** | **1,185,296** |

The reserve records the value of equity benefits, i.e. share-based payments, provided to employees and directors as part of their remuneration, as well as to suppliers. Refer to Note 33 Share-Based Payments for further details of these plans.

## 28. Equity - accumulated losses

| **Consolidated** | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Balance at beginning of the financial year | (25,593,298) | (17,386,510) |
| Loss after income tax for the year | (9,650,145) | (8,206,788) |
| **Balance at the end of the financial year** | **(35,243,443)** | **(25,593,298)** |

## 29. Financial instruments

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

Primary responsibility for the identification and control of financial risks rests with the 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 forecasts 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** | **2024 $** | **2023 $** |
|---|---|---|
| Cash at bank | 185,748 | 1,439,582 |
| Security deposits (bank guarantees) | - | 100,000 |
| | **185,748** | **1,539,582** |

Borrowings disclosed in Notes 20 and 23 have not been included in the above table as the applicable interest rates are fixed.

The following table summarises the impact of reasonably possible changes in interest rates for the Group at 30 June 2024. The sensitivity is based on the assumption that interest rate changes by 50 basis points (2023: 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**<br>Higher / (lower) | **2024 $** | **2023 $** |
|---|---|---|
| 50bp increase (2023: 50bp) | 929 | 7,698 |
| 50bp decrease (2023: 50bp) | (929) | (7,698) |

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** | **2024 $** | **2023 $** |
|---|---|---|
| *Cash and cash equivalents* | | |
| - USD | 175 | 176 |
| - NZD | 35,219 | 53,172 |
| | **35,394** | **53,348** |

The following table summarises the impact of reasonably possible changes in foreign currency exchange rates for the Group at 30 June 2024 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**<br>*Higher / (lower)* | **2024**<br>**$** | **2023**<br>**$** |
|---|---|---|
| - AUD/USD +10% (2023: +10%) | (16) | (16) |
| - AUD/USD -10% (2023: +10%) | 19 | 19 |
| - AUD/NZD +10% (2023: +10%) | (3,170) | (4,785) |
| - AUD/NZD -10% (2023: +10%) | 3,874 | 5,849 |

***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 the concentration of risks and mitigate financial loss through potential counterparty failure. 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+**<br>**$** | **Unrated**<br>**$** |
| 30 June 2023 | | |
| Cash and cash equivalents | 1,439,582 | - |
| Receivables | - | 532,140 |
| Number of Counterparties | 2 | 8 |
| Largest counterparty (%) | 97% | 75% |
| 30 June 2024 | | |
| Cash and cash equivalents | 185,748 | - |
| Receivables | - | 2,307,360 |
| Number of Counterparties | 2 | 3 |
| Largest counterparty (%) | 82% | 97% |

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

| As at 30 June 2024 | Less than 12 months $ | 1-5 years $ | More than 5 years $ |
|---|---|---|---|
| Trade and other payables | 497,578 | - | - |
| Lease Liabilities | 127,766 | 429,534 | 699,597 |
| Borrowings | 45,233 | 85,312 | - |
| Liabilities associated with non-current assets held for sale | 72,561 | - | - |
| **Total** | **743,138** | **514,846** | **699,597** |

***Capital risk management***

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

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

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

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

## 30. Key management personnel disclosures

Key management personnel compensation:

| Consolidated | 2024 $ | 2023 $ |
|---|---|---|
| Short-term employee benefits | 1,704,630 | 826,527 |
| Post-employment benefits | 50,508 | 42,459 |
| Share-based payments | - | 80,890 |
| **Total** | **1,755,138** | **949,876** |

## 31. Remuneration of auditors

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Audit and review of financial statements | 60,000 | 95,825 |
| **Total auditor's remuneration** | **60,000** | **109,725** |

| | | |
|---|---|---|
| **Other Services** | | |
| Taxation compliance services | 13,900 | 13,900 |
| Project valuation | 44,154 | - |
| **Total remuneration for other services** | **58,054** | **13,900** |

## 32. Related party transactions

***Parent Entity***

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

***Subsidiaries***

Interests in subsidiaries are set out in subsidiaries Note 38.

***Key Management Personnel***

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

***Transactions with related parties***

The following transactions occurred with related parties:

| **Consolidated** | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Payment for services: | | |
| Payment for corporate advisory services from Tegis Pty Ltd (Director related entity of T Gray) | - | 60,000 |
| Salary payment to Ms. M Sutton (Daughter of R Mountfort) | 64,817 | 94,838 |
| Salary payment to Ms. A Da Silva (Spouse of R Mountfort) | 9,270 | - |
| Salary payment to Mr. J Collins (Son-in-law of R Mountfort) | 14,651 | - |

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

***Terms and conditions***

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

## 33. Share-based payments

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

| | Share Options | Share Options | Share Options |
|---|---|---|---|
| Exercise Price | $0.020 | $0.020 | $0.020 |
| Grant Date | 16 Oct 2023 | 1 Dec 2023 | 20 May 2024 |
| Expiry Date | 16 Oct 2025 | 1 Dec 2025 | 20 May 2027 |
| Risk-free rate | 4.24% | 4.24% | 4.24% |
| Volatility | 352.73% | 352.73% | 352.73% |
| Value per option | $0.01 | $0.01 | $0.01 |
| Number of options | 182,039,234 | 5,384,616 | 10,632,500 |
| Total value of options | $1,820,392 | $53,846 | $106,325 |
| Amount expensed in current period | - | - | - |
| 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:

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| **Share-based payments reserve** | | |
| Movements: | | |
| Balance at beginning of the financial year | 1,185,296 | 928,552 |
| Cost of share-based payment | - | 112,339 |
| Share-based payment capitalised transaction costs | 186,325 | 144,405 |
| **Balance at the end of the reporting period** | **1,267,926** | **1,185,296** |

**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 2024 | WAEP $ 2024 | Number of options 2023 | WAEP $ 2023 |
|---|---|---|---|---|
| Outstanding at the beginning of the year | 403,212,987 | 0.045 | 39,879,170 | 0.051 |
| Granted during the year | 198,056,350 | 0.020 | 364,962,985 | 0.045 |
| Exercised during the year | - | - | - | - |
| Expired during the year | (116,462,987) | 0.050 | (1,629,168) | 0.211 |
| Forfeited during the year | - | - | - | - |
| **Outstanding at the end of the year** | **484,806,350** | **0.033** | **403,212,987** | **0.045** |

There are no options that were issued but not vested at 30 June 2024 (nil unvested at 30 June 2023).

**Outstanding options**

The outstanding balance of options as at 30 June 2024 is represented below.:

| Grant Date | Expiry Date | Exercise Price | Share options 2024 | Share options 2023 |
|---|---|---|---|---|
| 14 September 2018 | 14 September 2023 | $0.177 | - | 1,275,000 |
| 20 December 2018 | 1 February 2024 | $0.177 | - | 1,275,000 |
| 20 December 2018 | 1 April 2024 | $0.294 | - | 850,002 |
| 17 February 2020 | 1 March 2025 | $0.023 | 24,750,000 | 24,750,000 |
| 29 April 2021 | 29 April 2024 | $0.130 | - | 100,000 |
| 5 May 2022 | 30 June 2025 | $0.040 | 10,000,000 | 10,000,000 |
| 7 September 2022 | 31 August 2023 | $0.045 | - | 112,962,985 |
| 5 April 2023 | 31 December 2025 | $0.045 | 42,000,000 | 42,000,000 |
| 15 June 2023 | 31 December 2025 | $0.045 | 210,000,000 | 210,000,000 |
| 16 October 2023 | 16 October 2025 | $0.020 | 182,039,234 | - |
| 1 December 2023 | 1 December 2025 | $0.020 | 5,384,616 | - |
| 20 May 2024 | 20 May 2027 | $0.020 | 10,632,500 | - |
| **Total** | | | **484,806,350** | **403,212,987** |
| The weighted average remaining life of the options outstanding at year-end. | | | 1.40 years | 1.77 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 a plan were exercised, would exceed 5% of the total number of shares on issue at the time of the proposed offer.

## 34. Contingent assets

**Insurance Claim**

During February 2022, the insurance underwriter confirmed indemnity over the property claim in connection with assets damaged in the Apple Tree Creek incident. Insurance proceeds of $1,400,000 have been received to 30 June 2024, subsequent to the reporting period the Company has received an offer of $2,230,000 as final settlement with a partial payment of $800,000 received on 3 October 2024. Management is currently working through the settlement offer with its insurance advisors.

## 35. Commitments and contingent liabilities

**Legal proceedings from the Office of Work Health and Safety Prosecutor (OWHSP)**

On 24 November 2023 the Group announced that the OWHSP had brought a claim and served a summons, statement of fact and complaint on the Company for an offence under section 32 of the Work Health and Safety Act 2011, following an investigation from Work Health and Safety Queensland. The investigation relates to the events on 12 November 2021 at the Group's facility in Apple Tree Creek, Queensland.

The maximum financial penalty to the Group is approximately $1,500,000 (15,000 penalty units). The Court is currently conducting their review of all relevant information, and the Group will inform the public when the matter has been settled.

**Public Liability Claim**

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

## 36. Notes to the statement of cash flows

**a) Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents include 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:

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| **Cash and cash equivalents** | **185,748** | **1,439,582** |

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

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| **Net loss for the period** | (9,650,146) | (8,206,788) |
| Adjustments for: | | |
| Depreciation | 323,381 | 616,646 |
| Share-based payments | 50,000 | 112,339 |
| Finance costs on borrowing | 36,943 | 244,585 |
| Insurance recoveries related to property, plant and equipment | (1,830,000) | (400,000) |
| Loss on disposal and impairment of property plant and equipment | 6,674,688 | 2,293,620 |
| Unrealised loss on foreign exchange | 20,732 | 61,578 |
| **Net changes in working capital:** | | |
| Change in trade and other receivables | 41,068 | 26,797 |
| Change in other assets | 82,509 | 1,986,496 |
| Change in trade and other payables | 150,484 | (190,228) |
| Change in provisions | 26,422 | (6,156) |
| | | |
| **Net cash provided/(used) in operating activities** | **(4,073,919)** | **(3,461,111)** |

**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.

## 37. Parent entity information

**Impairment testing**

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

An impairment loss of $4,367,977 was recognised by the parent entity in operating loss for the year ended 30 June 2024 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 $902
- Loan to Leaf Research Pty Ltd – impairment expense $594
- Loan to Leaf Malaysia OpCo Sdn. Bhd. – impairment expense $10,592
- Loan to Essential Queensland Pty Ltd – impairment expense $4,355,889

The parent entity does not have any guarantees held over debts of the subsidiaries, contingent liabilities or contractual commitments as at 30 June 2024. Contingencies and commitments at Note 35 relate to Essential Queensland Pty Ltd.

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

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| **Financial Position** | | |
| **Assets** | | |
| Current assets | 177,209 | 1,377,226 |
| Non-current assets | 1,513,433 | 5,255,984 |
| **Total assets** | **1,690,642** | **6,633,210** |
| **Liabilities** | | |
| Current liabilities | 315,587 | 897,440 |
| Non-current liabilities | 151,100 | 349,932 |
| **Total liabilities** | **466,687** | **1,247,372** |
| **Equity** | | |
| Issued capital | 80,172,327 | 77,115,701 |
| Share-based payments reserve | 2,206,712 | 2,020,387 |
| Retained losses | (81,155,085) | (73,750,249) |
| **Total equity** | **1,223,955** | **5,385,839** |
| **Financial Performance** | | |
| Profit/(loss) before income tax | (7,404,835) | (15,544,789) |
| Income tax expense | - | - |
| **Total comprehensive loss for the year** | **(7,404,835)** | **(15,544,789)** |

## 38. Interests in subsidiaries

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

| Name Unlisted: | Principal activities | Country of incorporation | Class of shares | Ownership interest | |
|---|---|---|---|---|---|
| | | | | 2024% | 2023 % |
| *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* | *Project company* | *New Zealand* | Ord | 100 | 100 |

## 39. Events after the reporting period

Since 30 June 2024, the following matters have arisen which may significantly affect the operations of the Group:

- On 12 July 2024, Managing Director Mr Ramon Mountfort resigned from all positions effective immediately. His resignation was followed by the appointment of Mr Russell Allen as a Non-Executive Director to the Board, on the same day.
- On 31 July 2024, the Company announced that it successfully completed and received $500,000 for Convertible Notes with a face value of $0.01 and at a cost of 10% per annum capitalised annually and payable upon conversion or redemption with a maturity date of the earlier of a future capital raising or 12 months. The conversion is subject to shareholder approval at the next Annual General Meeting. The conversion price is set at $0.01 per share and for each share the investor will be granted a free-attaching unlisted option exercisable at $0.02 per share that expires within one year of the grant date.
- The Company's registered addressed changed to Level 7, 330 Collins Street, Melbourne, Victoria 3000, effective 31 July 2024.
- On 13 September 2024, the Company announced that it successfully completed and received $75,000 for Convertible Notes with a face value of $0.01 and at a cost of 10% per annum capitalised annually and payable upon conversion or redemption. The Convertible Notes are secured against all present and after acquired property of the Company. The conversion price is set at $0.01 per share and for each share the investor will be granted a free-attaching unlisted option exercisable at $0.02 per share that expires within one year of the grant date.
- On 3 October 2024, the Company announced that it had received an interim payout in the amount of $800,000 from Howden Insurance Brokers as a partial payment in relation to its ongoing insurance claim in connection with assets damaged in the Apple Tree Creek incident.
- On 30 October 2024, the Company announced that it successfully executed a convertible note agreement to receive $2,000,000 on 31 March 2025 for Convertible Notes with a face value of $1.00 and at a cost of 10% per annum capitalised annually and payable upon conversion or redemption, the maturity date is 3 years from the subscription date and conversion is subject to shareholder approval. The conversion price is set at $0.005 per share and for each share the investor will be granted a free-attaching unlisted option exercisable at $0.01 per share that expires three years from the grant date.
- On 28 August 2024, the Company engaged SV Partners to investigate potential contraventions of the Corporations Act 2001 by former officers of the Company and its subsidiaries. The investigative accountant's report reviewed financial benefits and payments made to officers and related parties. It assessed their compliance with Section

208 of the Corporations Act 2001, examined financial management and travel expenditures of the officers and related parties, and identified any irregular payments. The Company is considering the report and also further actions in relation to contraventions of the Corporations Act 2001 identified by SV Partners.

- On 22 November 2024, the Company announced that it successfully completed a share placement raising $1,100,000 through the issue of 220,000,000 ordinary shares at $0.005 per share with one free attaching option for every one share issued, with an exercise price of $0.02 and an expiry date of 2 year from the date of issue.

# Consolidated entity disclosure statement

| Name of entity | Type of entity | Trustee, partner, or participant in joint venture | % of share capital | Country of incorporation | Australian or foreign resident ( for tax purposes) | Foreign tax jurisdiction(s) of foreign residents |
|---|---|---|---|---|---|---|
| Foresta Group Holdings Limited | Body Corporate | N/A | N/A | Australia | Australia | N/A |
| Essential Queensland Pty Ltd | Body Corporate | N/A | 100% | Australia | Australia | N/A |
| AQL Mining Pty Ltd | Body Corporate | N/A | 100% | Australia | Australia | N/A |
| Farmacule BioIndustries Pty Ltd | Body Corporate | N/A | 100% | Australia | Australia | N/A |
| Leaf Sciences Pty Ltd | Body Corporate | N/A | 100% | Australia | Australia | N/A |
| Leaf Research Pty Ltd | Body Corporate | N/A | 100% | Australia | Australia | N/A |
| Leaf Performance Plan Pty Ltd | Body Corporate | N/A | 100% | Australia | Australia | N/A |
| Leaf Resources USA, LLC | Body Corporate | N/A | 100% | United States of America | Foreign | United States of America |
| Leaf Development LLC | Body Corporate | N/A | 80% | United States of America | Foreign | United States of America |
| Leaf Malaysia OpCo Sdn. Bhd. | Body Corporate | N/A | 100% | Malaysia | Foreign | Malaysia |
| Foresta (NZ) Limited | Body Corporate | N/A | 100% | New Zealand | Foreign | New Zealand |

**Basis of preparation**

The consolidated entity disclosure statement has been prepared in accordance with the Corporations Act 2001, includes information for each entity that was part of the consolidated entity as at 30 June 2024 and has regards for the Australian Taxation Office's Practical Compliance Guidance 2018/9.

*Determination of tax residency*

Section 295(3A) of the Corporations Act 2001 defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of tax residency involves judgment as there are different interpretations that could be adopted and which could give risk to a different conclusion on residency.

In determining tax residency, the consolidated entity has applied the following interpretations:

*Australian tax residency*

The consolidated entity has applied the current legislation and guidance, including having regard to the Australian Taxation Office's public guidance in Tax Ruling TR 2018/5.

*Foreign tax residency*

The consolidated entity has applied current legislation and where available, relevant revenue authority guidance in the determination of foreign tax residency.

# DIRECTORS' DECLARATION

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

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

a) the consolidated financial statements and notes of Foresta Group Holdings Limited are in accordance with the *Corporations Act 2001,* including:
    i) giving a true and fair view of its financial position as at 30 June 2024 and of its performance for the financial year ended on that date; and
    ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and
b) there are reasonable grounds to believe that Foresta Group Holdings Limited will be able to pay its debts as and when they become due and payable.
c) the information disclosed in the attached consolidated entity disclosure statement is true and correct.

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 2024.

Note 4 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

This report is made in accordance with a resolution of the Board of Directors and is signed by authority for on behalf of the Directors.

**Henry Cheng**
Executive Chairman
Melbourne, Victoria, Australia
22 November 2024

# Shareholder Information

The ASX additional shareholder information set out below was applicable as at 12 November 2024.

**1. Distribution of equity security holders:**

**Holding Distribution**

**Equity security holders**

| Range | No. of Holders | % of Securities | Options |
|---|---|---|---|
| 100,001 and over | 708 | 33.05% | 45 |
| 10,001 to 100,000 | 608 | 28.38% | - |
| 5,001 to 10,000 | 181 | 8.45% | - |
| 1,001 to 5,000 | 205 | 9.57% | - |
| 1 to 1,000 | 440 | 20.54% | - |
| | **2,142** | **100%** | **45** |

**2. Quoted equity security holders:**
The names of the twenty largest holders of quoted equity securities are listed below:

| # | Name | Ordinary shares number | Ordinary shares % issued |
|---|---|---|---|
| 1 | MR RAMON DUDLEY MOUNTFORT & MRS SHIRLEY JOY MOUNTFORT | 432,650,000 | 18.37% |
| 2 | CITICORP NOMINEES PTY LIMITED | 373,313,435 | 15.85% |
| 3 | GREGORY LLOYD SAMSON & ROSEMARIE ANNE SAMSON | 53,625,000 | 2.28% |
| 4 | BRINCLIFF PTY LTD | 45,205,128 | 1.92% |
| 5 | DR FAB SUPER PTY LTD | 42,000,000 | 1.78% |
| 6 | KELIRI PTY LTD | 40,708,000 | 1.73% |
| 7 | MRPG INVESTMENTS (AUS) PTY LTD | 40,057,051 | 1.70% |
| 8 | MR GRANT RICHARD LESLIE YEATMAN & MRS CARMEN RAE YEATMAN | 35,250,000 | 1.50% |
| 9 | NETWEALTH INVESTMENTS LIMITED | 34,909,375 | 1.48% |
| 10 | MR MARK PHILLIP JONES | 32,000,000 | 1.36% |
| 11 | MR ROBERT JAMES ALLEN | 31,219,655 | 1.33% |
| 12 | MR GEOFFREY JAMES STEVENSON | 28,040,584 | 1.19% |
| 13 | MAJANAH PTY LTD | 25,159,260 | 1.07% |
| 14 | JOBRAT PTY LTD | 25,000,008 | 1.06% |
| 15 | THE TRUST COMPANY (AUSTRALIA) LIMITED | 24,673,946 | 1.05% |
| 16 | MRS NICOLE EDSON BATES-BROWNSWORD | 23,504,856 | 1.00% |
| 17 | MR GRANT RICHARD LESLIE YEATMAN & MRS CARMEN RAE YEATMAN | 22,912,500 | 0.97% |
| 18 | MR BLAKE RAVICS | 22,000,000 | 0.93% |
| 19 | YEATMAN GLOBAL AUSTRALIA PTY LTD | 21,282,051 | 0.90% |
| 20 | BNP PARIBAS NOMINEES PTY LTD | 21,220,415 | 0.90% |

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

| Expiry Date | Number on issue | Number of holders |
|---|---:|---:|
| **Options** | | |
| Unlisted 1 March 2025 | 24,750,000 | 1 |
| Unlisted 30 June 2025 | 10,000,000 | 1 |
| Unlisted 31 December 2025 | 252,000,000 | 2 |
| Unlisted 16 October 2025 | 182,039,234 | 39 |
| Unlisted 1 December 2025 | 5,384,616 | 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 DUDLEY MOUNTFORT & SHIRLEY JOY MOUNTFORT | 432,650,000 | 18.37% |
| CITICORP NOMINEES PTY LIMITED | 373,313,435 | 15.85% |

**5. Unmarketable Parcels**
The number of shareholders holding less than a marketable parcel is 1,476.

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

The options and performance rights have no voting rights.

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

# Corporate Directory

| | |
|---|---|
| Board of Directors: | Henry Cheng<br>Maurice Fabiani<br>Russell Allen |
| Company Secretary: | Mark Licciardo |
| Registered Office &<br>Principle Place of Business: | Level 7, 330 Collins Street, Melbourne<br>Victoria, 3000, Australia |
| Auditors: | Hall Chadwick<br>Level 14/440 Collins Street, Melbourne<br>Victoria, 3000, Australia |
| Stock Exchange: | Foresta Group Holdings Limited (ASX: FGH) shares are listed on the Australian Securities Exchange (ASX) |
| Bankers: | Westpac Banking Corporation<br>260 Queen Street<br>Brisbane, Queensland, 4000, Australia |
| Share Registry: | Link Market Services Limited<br>Level 21, 10 Eagle St,<br>Brisbane, QLD, 4000, Australia<br>Locked Bag A14<br>South Sydney, NSW, 1235, Australia<br>Telephone: +61 1300 554 474<br>Facsimile: +61 (2) 9287 0309 |
| Solicitors: | Steinepreis Paganin<br>Level 4, 50 Market Street<br>Melbourne, Victoria, 3000, Australia |
| ASX Code: | FGH |
| Website: | www.forestagroup.com.au |

FORESTA GROUP HOLDINGS
ASX:FGH