

4 February 2021

ASX Release

Appendix 4C and Quarterly Activities Report For Period Ending 31 December 2020

Leaf Resources Limited (ASX: LER) (“**Leaf**” or “**Company**”), is now positioned to become a leading supplier of sustainable pine chemicals, is pleased to report its first quarterly update as a newly transformed Company following the acquisition of Essential Queensland Pty Ltd (“**EQ**”) and finalising a \$3m capital raising to fund growth and recompliance with chapters 1 and 2 of the ASX listing rules.

HIGHLIGHTS

- **Leaf recommenced trading on the ASX on 22 December 2020**
- **Oversubscribed capital raising of \$3m (before costs) with strong support received from institutional, sophisticated and retail investors**
- **Funds used to complete first commercial plant and plant optimisation at Apple Tree Creek, with first revenues expected in February 2021**
- **EQ owns a proprietary production process to extract rosin and terpenes from pine that is highly complementary to Leaf’s technologies EQ is currently commissioning its first plant at its Apple Tree Creek Facility**
- **EQ believes that it is embarking on the biggest step-change that the US\$10bn pine chemicals industry has experienced since the 1950’s**

Acquisition of Essential Queensland

As announced on 22 December 2020, Leaf completed the scrip acquisition of 100% of the issued capital of EQ and finalised a \$3m fund raising to fund growth and re-compliance with chapters 1 and 2 of the ASX listing rules.

The capital raising was strongly supported by a range of institutional and retail investors across Australia and New Zealand, representing both new and existing shareholders. The applications significantly exceeded the offer size of \$3.0m.

EQ has developed a proprietary process to extract rosin and terpenes from pine logs, producing the highest quality, clean gum rosin and terpenes which are used in a multitude of consumer products, including perfumes, cosmetics, food additives, adhesives, disinfectants, synthetic rubbers and printing inks. The pine chemicals market is estimated at US\$10bn.

EQ is synergistic with Leaf's current technology as EQ's extraction process removes chemicals from pine, with the resultant waste wood chip having the potential to become a new strategic biomass supply for Leaf's Glycell™ process. The Glycell™ process converts non-food plant biomass into lignin and industrial sugars that can be converted into useful, sustainable, renewable chemicals, biodegradable and recyclable biomaterials including bio-plastics.

Progress on Essential Queensland's Plant

The Apple Tree Creek plant continues to progress well, with the plant approximately 97% complete as at 26 January 2021. Commissioning of the wood preparation process and the the cooling system is now complete. The pressure vessels are to be tested and certified in early February 2021.

Management expects the plant to be operational and producing terpene, rosin and woodchip for sale in February. The recent COVID-19 outbreak in Brisbane resulted in only a minor delay of 2-3 weeks due to government restrictions in getting welders and other technicians to site.

Management reiterate that the plant will reach its operational capacity of 8,000 tonnes per annum run rate of chemicals in May 2021 as per the prospectus.

Once the initial plant is established and operating at steady state, management will begin optimising the plant as outlined in the prospectus to expand capacity by focusing on activities that drive efficiency within the plant, including:

1. enhancing systems through normalisation of unit operations;
2. review and develop measurable standards for operations, quality, safety and the environment; and
3. design and incorporate specified control loops and include ruggedisation and adaption of the controls in the manufacturing process through automation.

This important process of optimisation is expected to improve production rates and yields generating an operational capacity greater than the initial expected rate of 8,000 tonnes per annum.

In addition, management has begun the initial assessment process on expansion opportunities, which may include the potential for brownfields expansion and/or new greenfield operations both domestically and internationally. The Company's vision is to become the global supplier of sustainable natural chemicals.

Leaf Resources Malaysian Project

Leaf's option on the site at Segamat in Malaysia had received extensions due to COVID-19 in 2020 but recently came up for renewal. Given the abundance of land at Segamat and the new focus on EQ the option was not renewed.

Appendix 4C supporting notes

During the period the Company incurred expenditure of \$339,000 in relation to administrative, corporate and staff costs. A total of \$354,000 was expended by the Company in relation to property, plant and equipment at the Apple Tree Creek site following completion of the transaction. The Company completed a capital raising of \$3,000,000 with costs of \$180,000 and received \$335,000 from Research & Development refunds. Costs in relation to the transaction with Essential Queensland Pty Ltd totalled \$284,000 for the quarter.

Fees, salaries and superannuation contributions paid to Directors during the quarter amount to \$72,000 as disclosed at item 6.1 of the Appendix 4C.

Authorisation Statement

This update has been authorised to be given to ASX by the Board of Leaf Resources Limited.

--ENDS--

Contacts

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About Leaf Resources

Leaf and EQ technologies are highly complementary as both enable the replacement of petroleum-based chemicals and plastics with the aim of moving markets towards the bio economy. In addition, the extraction process employed by EQ results in a cellulosic 'waste' product that is a potential feedstock to LER's proprietary "Glycell"TM process for producing clean industrial sugars.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Leaf Resources Limited

ABN

18 074 969 056

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(52)	(414)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(108)	(166)
(f) administration and corporate costs	(231)	(362)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(9)	(9)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	335	381
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(65)	(570)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	
(b) businesses	-	
(c) property, plant and equipment	-	
(d) investments	-	
(e) intellectual property	-	
(f) other non-current assets	-	

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)		
	- Costs associated with acquisition of Essential Queensland Pty Ltd	(284)	(313)
	- Proceeds received on acquisition of Essential Queensland Pty Ltd	38	38
2.6	Net cash from / (used in) investing activities	(600)	(629)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,000	3,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(180)	(180)
3.5	Proceeds from borrowings	-	600
3.6	Repayment of borrowings	(16)	(16)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(13)	(13)
3.10	Net cash from / (used in) financing activities	2,791	3,391

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	77	11
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(65)	(570)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(600)	(629)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,791	3,391
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,203	2,203

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,203	77
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,203	77

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	72
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	300	300
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	300	300
7.5	Unused financing facilities available at quarter end		0
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(65)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,203
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,203
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	33
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 January 2021.....

Authorised by: By the Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.