

10 July 2017
Australia Securities Exchange Announcement

Malaysian Update

Following discussions last week among Malaysian Government authorities (Agensi Inovasi Malaysia (AIM) and Malaysian Bio-economy Development Corporation), our project development JV partners Claeris, and Leaf Managing Director Ken Richards, Leaf Resources is pleased to report the following progress on potential biorefineries/second generation sugar (2G sugar) projects, enabled by Leaf's Glycell™ process, in Malaysia.

Sarawak

The potential project in Sarawak remains an attractive option and discussions with various state and local authorities in Sarawak continue to progress positively. The sheer size and scale of the potential Sarawak project mean that planning and decision making are progressing in line with the scale of the opportunity and further decisions on this project are expected over the next few months.

Leaf Development (the joint development company of Leaf Resources' and Claeris') is in frequent discussion with the relevant Federal, state and local authorities and Leaf Development remains confident of a positive outcome in Sarawak.

It is worthwhile repeating, from previous announcements, that AIM continues to acknowledge the importance of having a 2G sugar facility (embedding Leaf's Glycell™ process) as part of the Sarawak bio-hub and to state their support for Leaf as part of this development.

Johor

Whilst Sarawak remains a large and attractive project, a site in the State of Johor (on the Malaysian Peninsula) has recently been investigated. An established bio-park in Johor with substantial facilities, including utilities and potential product offtakers, has expressed interest in securing Leaf's Glycell™ process as its 2G sugar platform.

The major advantages of Johor are:

1. An accelerated pathway to finalised construction;
2. An established supply chain of oil palm waste (empty fruit bunch - EFB), and;
3. Potential offtake customers within the park.

Biomass

The Johor bio-park has an existing supply chain of EFB, which is being used to fuel onsite boilers. Currently this biomass is being delivered at an attractive price and whilst Leaf's specifications will be higher, we have an expectation that biomass will be available at a price comparable to that available in Sarawak.

Utilities

The Johor bio-park provides steam, chilled water, and anaerobic digestion for all park tenants and these central utilities are already in place. Whilst they will need to be expanded to provide for the extra requirements of Leaf, the existing infrastructure provides significant costs savings and reduced construction time.

Finance

Leaf Development has analyzed numerous financing options for the developments in Sarawak and Johor and believes that through various government, quasi-government and commercial finance opportunities an attractive project finance package (i.e not utilizing Leaf Resources balance sheet) can be obtained.

EPC contractor

Discussions continue with EPC contractors that possess the necessary credentials and experience in the bio-economy space, and financial capacity to undertake the Leaf projects in Malaysia.

BIO Nexus Status

Leaf Development has lodged an application for Bio-Nexus status through a wholly owned subsidiary of Leaf Development, Leaf Malaysia OpCo Sdn Bhd. If that application is successful, Leaf Malaysia is eligible to apply for the following incentives:

1. An exemption from tax on 100% statutory income:
 - For a period of ten (10) consecutive years of assessment from the first year the company derived statutory income from the new business; or
 - For a period of five (5) consecutive years of assessment from the first year the company derived statutory income from the existing business and expansion project; or
2. An exemption of 100% statutory income derived from a new business or an expansion project that is equivalent to an allowance of 100% of qualifying capital expenditure incurred for a period of five (5) years.
3. A concessionary tax rate of 20% on statutory income from qualifying activities for ten (10) years upon the expiry of the tax exemption period.
4. Tax exemption on dividends distributed by a BioNexus status company.
5. Exemption of import duty and sales tax on imported raw materials/components and machinery and equipment.
6. Double deduction on expenditure incurred for R&D.
7. Double deduction on expenditure incurred for the promotion of exports.
8. With effect from 2 September 2006, qualifying buildings used solely for the purpose of biotechnology activities will be eligible for Industrial Building Allowance to be claimed over a period of 10 years.
9. A company or an individual (that carry on business) investing in a BioNexus Status company is eligible for a tax deduction equivalent to the total investment made in seed capital or early stage financing.

Summary

Leaf continues to advance the development of its first commercial scale facility in Malaysia, including now a site in Johor offering potential engineering and construction advantages. Malaysian federal and state governments and their agencies continue to support Leaf's objectives. At the same time, the Company is committed to exploring additional opportunities with new and existing partners who have identified the potential that Glycell™ 2G sugar process presents in reshaping the green chemicals industry.

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About Claeris, LLC

Over the last decade Claeris has:

- Developed and sold ASAlliances Biofuels, LLC, the world's largest ethanol development project, for US\$725m, generating an equity return of 410% in 18 months;
- Formed Gevo Development, LLC to commercialise Gevo's proprietary isobutanol technology, the success of which helped Gevo float on NASDAQ with an initial market capitalization of \$400m – generating an equity return of 460% return in 17 months;
- Formed Claeris Development, LP to develop and operate facilities for the production of ultra clean base oils, chemicals, and fuels from natural gas and other carbon-based feedstocks;
- Formed Solusyn Development, LLC with Emerging Fuels Technology, Inc. to develop, construct, and operate a series of natural gas/ethane to specialty products (base oils, drilling fluids, and solvents) facilities. Construction on the first facility is expected to start in 2018.

For more information about Claeris and its development history and track record go to www.claeris.com.

About Leaf Resources Ltd (ASX: LER)

Leaf Resources is one of the world's leading companies in converting plant biomass into fermentable sugars. Our proprietary process for converting biomass-to-functional industrial sugars enable a myriad of downstream technologies for the production of renewable chemicals that will substitute petrochemicals used in manufacturing today. With our project development and continued technical innovation we are building a robust global business centered on renewable carbon containing products to deliver environmental and economic benefits to our shareholders and our planet. More on www.leafresources.com.au

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