

31 July 2018

Australian Securities Exchange Announcement

June 2018 Quarterly Shareholder Update

Leaf Resources (ASX: LER) ("Leaf" or "the Company") is pleased to provide a quarterly update for the period ending 30 June 2018.

Summary – Malaysian Project

Another quarter of progress saw Leaf Resources strengthen the Malaysian Project by releasing a very positive Front End Loading (FEL) level 2 study completed by international engineering firm Aurecon.

This followed a successful demonstration of the Glycell™ process to an interested delegation of 10 people from Malaysian government and business at the Bioprocess Pilot Facility B.V. (BPF) in Delft Holland.

Since the end of the quarter, Leaf took another step in developing a Malaysian biorefinery, signing a Fibre Supply Agreement with Malaysian company Biovision & Greenergy SDN BHD (B&G).

Following this very positive quarter of progress for the project, the next stage is to move forward on further work at Delft Holland. This will include fine tuning the final engineering design and producing samples, appointing FEL3 engineering consultants and continuing the positive discussion with MIDA to secure approval for tax concessions associated with the "Less Developed Area" status of the Segamat Site.

Strong economics for Leaf's proposed Malaysian biorefinery

In June, Leaf reported results of an independent feasibility study by Aurecon that examined the establishment of a Leaf biorefinery facility at Segamat, Malaysia.

Leaf commissioned Aurecon to independently review the technical data relating to the Glycell™ process and report on the technical feasibility of the process, as well as the suitability and co-location opportunities of the proposed Segamat site for the Biorefinery Project.

Key findings included:

- Establishment of Biorefinery Project at Segamat, Malaysian site location and use of empty fruit bunch feedstock to Glycell™ process is technically feasible
- Segamat site is "ideally suited" to the Biorefinery Project with large volumes of local, low cost empty fruit bunch biomass available for sugars conversions and energy supply
- Strong Malaysian Government support

- All major environmental impact assessment approvals achievable within reasonable timeframe
- Strong project economics on base case, with potential for upside

Estimated financial results (approximate):

- Base case (no debt, before tax)	NPV US\$193m	IRR 23%
- Base case (50% debt, after tax)	NPV US\$174m	IRR 31%
- Upside Case (50% debt, after tax)	NPV US\$438m	IRR 58%.

Completion of the Feasibility Study marked an important milestone for Leaf, being a critical step in the process to the advancement of the Biorefinery Project and facilitate its progress towards final design, financing, regulatory and board approvals.

Leaf's Glycell™ technology converts plant biomass into high value industrial sugars and other low carbon alternatives instead of petroleum-based chemicals and plastics. The process is relatively low cost and testing to date has been shown to achieve yields up to 25% higher than rival technologies.

Leaf has secured an option on a site in Segamat, Johor, where it plans to establish a proposed biorefinery facility and use an abundant and renewable supply of empty fruit bunch ("EFB") (a waste product of palm oil production) as the primary feedstock for the Biorefinery Project.

Aurecon concluded that the project is technically feasible with the ability to value-add low cost EFB biomass and raw glycerol into high value renewable feedstocks and products.

Leaf will use results from the Feasibility Study to progress the Company's planning and to help secure (off balance-sheet) financing for the project.

More detailed results can be found in the ASX Announcement dated 13 June 2018.

Successful Glycell™ demonstration in Holland

Phase 2 of Leaf's Integrated Demonstration Study (IDS) at Bioprocess Pilot Facility B.V. (BPF) in Delft, Holland was successfully completed with samples of C6 industrial sugars and lignin produced.

The IDS is a critical component of the overall validation program for Leaf's proprietary Glycell™ technology, and an essential input to both the design and financing requirements for the Company's proposed biorefinery project in Malaysia.

Phase 2 consisted of several low volume test runs to evaluate new filtration equipment and integrate the sub-system into the BPF pilot plant. The linkage between the initial digestion phase (breaking down of plant biomass) and the filtration phase was successfully trialled. This was followed by a longer continuous run of both the digestion and filtration processes, as well as the hydrolysis stage of the

integrated system. From this run, the Company has produced C6 sugar and lignin samples for testing by potential downstream off-take partners.

Results indicated the optimisation achieved would benefit the commercial installation. This work will be continued in Phase 3 of the Integrated Demonstration Study, which will commence in October 2018.

A high-level, public-private partnership delegation of 10 people from Malaysia inspected the integrated demonstration of the Glycell™ process in Holland. This party included a team from Biovision and Greenergy Sdn Bhd (B&G), which later signed an MOU with Leaf (see details below).

MOU with Biovision and Greenergy

Since the end of the quarter, Leaf took another step in developing a Malaysian biorefinery, signing a Fibre Supply Agreement with Malaysian company Biovision & Greenergy SDN BHD (B&G).

The non-binding Memorandum of Understanding (MOU) will see the companies negotiate to complete definitive legal agreements for B&G to supply Leaf with empty fruit bunch fibre (EFBF) that Leaf can use to produce industrial sugars, lignin and refined glycerol through its propriety Glycell™ process.

Under the Fibre Supply Agreement, B&G would supply about 100,000 bone dry metric tonnes (BDMT) of EFBF per year. The agreement has an initial term of 10 years and would see the companies work together during the design and pre-operation period of the Segamat biorefinery on the design of delivery and storage areas and to establish delivery protocols.

Change in government for Malaysia

The change in government for Malaysia is generally seen as a very positive outcome for the country as the new government has indicated a strong focus on creating jobs, growing the economy and moving Malaysia to a more sustainable economy. The new government supports the United Nation's Sustainable Development Goals (SDG) and the goal of reducing 40 percent carbon emissions by 2020 is one of its key administrative measures. The new Government is also expected to focus on green technology development and renewable energy, stating that the industry has the potential to grow rapidly, creating more job opportunities and ensuring increased returns.

Notwithstanding the longer term positives, there will be a slight slow-down as the government/bureaucracy transitions to the new regime.

Next Steps for Malaysian Project

Leaf is well advanced with its application through the Malaysian Investment Development Authority (MIDA) for tax concession under the "Less Developed Area" status. Positive discussions are well advanced and an outcome is expected shortly.

Similarly, Leaf's application with the Technology Development Authority (TDA) for approval and a weighting for what has been previously described as advantaged capital is also well progressed.

Discussions with potential contractors for the FEL 3 engineering study are also underway and are expected to reach a conclusion in the near future.

All activities in Malaysia are now focussed on and working towards the completion of a Bankable Feasibility Study (BFS) document which will be key for the finance sector to facilitate finance approvals for the projects. The target date for the completion of the BFS is early in 2019.

Queensland Government Biofutures Acceleration Programme

Below is an extract from a release by the Queensland Government.

Brisbane bio-tech company Leaf Resources is advancing plans to develop a bio-manufacturing hub in a sugar-cane producing region of Queensland, thanks to support from the Palaszczuk Government.

Minister for State Development, Manufacturing, Infrastructure and Planning Cameron Dick recently met with representatives from Leaf Resources at the Bio World Congress on Industrial Biotechnology in Philadelphia to confirm the company's next steps in advancing a potential regional Queensland biorefinery.

"Leaf Resources, based at Eight Mile Plains, is proposing a biorefinery that would use patented technology known as Glycell™ to speed up and reduce the cost of converting plant waste such as sugarcane fibre into sustainable chemicals, biofuels and bioplastics," Mr Dick said.

"This is world-leading technology with the potential to attract other biorefinery companies to the state, seeking the industrial sugars produced by the technology.

"The company sees the potential for Glycell™ technology to support development of a bio-manufacturing hub in regional Queensland."

Mr Dick said the company will use its funding from the Palaszczuk Government's Biofutures Acceleration Program to now embark on validation works and pre-feasibility studies into plant waste and biomass.

“As part of these investigations, the company will explore locations for the proposed biorefinery, with a likely focus on Bundaberg, Mackay, the Burdekin and Far North Queensland,” he said.

Leaf Resources Managing Director Ken Richards said he was looking forward to working with the Queensland Government to move into the next phase of the proposed biorefinery project.

LeafCoat

Leaf Resources continues to receive enquiries from around the world on its LeafCOAT, and associated LeafPULP, biodegradable, recyclable and renewable packaging product. Additional non-disclosure agreements (NDAs) with reputable companies have been signed and three companies have moved to appraising and testing various facets of the product.

Leaf's management remains very confident that LeafCOAT fits squarely in a desirable area for the packaging world as bans on plastics continue to widen and companies look to fulfil sustainability guidelines.

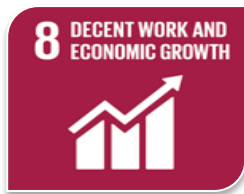
Sustainability Development Goals (SDG's)

The United Nations' 17 sustainable development goals are becoming the defacto standard for governments and companies all around the world to measure their efforts in becoming more sustainable.



Leaf Resources projects and products are relevant to a number of the SDGs however the three main goals management has identified are:

- Goal 8 through creating jobs in rural areas
- Goal 12 through using waste resources and turning them into useful products
- Goal 13 through reducing carbon emission and energy through Leaf's processes



Leaf selected for Accelerator Program

Unreasonable Impact is a partnership between global financial firm Barclays and Unreasonable Group focused on scaling ventures that have the potential to solve major environmental and societal problems while creating the jobs of tomorrow.

Leaf was selected to be part of the program during the quarter. It is the only Australian company – as well as the only bio-economy company – chosen for the current programme, focused on the Asia-Pacific region.

Unreasonable Impact has forged partnerships with some of the world's largest institutions and brands, and its programs focus on solving the United Nation's 17 Sustainable Development Goals (SDGs).

Leaf Resources was chosen thanks to its innovative Glycell™ process and biodegradable recyclable packaging product LeafCOAT. When implemented, these processes and products that can significantly contribute to several of the United Nations Sustainable Development Goals. Leaf is well-positioned to support SDG 8 (decent work and economic growth), SDG 12 (responsible consumption and production) and SDG 13 (climate action).

Unreasonable Impact aims to rapidly scale up entrepreneurial companies which address key environmental issues while possessing highly profitable business models and an ability to create thousands of new jobs. Leaf's technology is particularly advantageous as it will help create jobs in rural areas, where it is traditionally harder to do so.

Milestones – next 6 months

Malaysian project

- Complete Integrated & FEL3 study
- Agreements on EFB biomass supply & site utilities for Segamat
- Secure Malaysian Government approval for 'offset' financing package
- Bankable feasibility study nearing completion
- Agreements with end users / customers

Key Takeaways

- All key validation steps/studies completed; financing pathway known

LeafCOAT™

- One or more supply agreements

Corporate

Employee Share Plan Options Issued

Leaf issued 3,650,000 unlisted options to employees (excluding Directors) under its Employee Share Option Plan (ESOP) during the quarter.

The options are exercisable at \$0.15 per share, with 1/3 vesting 12 months after grant, 1/3 vesting 24 months after grant and 1/3 vesting 36 months after grant. These options expire on 22 May 2023.

The Leaf Energy ESOP was established to provide the opportunity for employees to share in the success of the Company, act as an incentive, and to attract and retain employees to ensure the continuing growth and success of the Company. The Directors believe the issue of these options will achieve the objective of the ESOP especially at a time when attracting and retaining employees is becoming increasingly competitive.

The terms of the ESOP restrict the aggregate number of options to be issued under the plan to be a maximum of 5% of the shares on issue. This issue of options took the aggregate to 2.48% of shares on issue.

About Leaf Resources Ltd (ASX: LER)

Leaf Resources is one of the world's leading companies in converting plant biomass into industrial 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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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

LEAF RESOURCES LIMITED

ABN

18 074 969 056

Quarter ended ("current quarter")

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(85)	(966)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(410)	(1,394)
(f) administration and corporate costs	(348)	(983)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	646
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(842)	(2,691)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(511)	(521)
(b) businesses (see item 10)	-	-
(c) investments	(251)	(1,538)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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)	-	-
2.6	Net cash from / (used in) investing activities	(762)	(2,059)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	4,878
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(75)	(144)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(75)	4,734

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,237	574
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(842)	(2,691)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(762)	(2,059)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(75)	4,734

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	558	558

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	558	2,237
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)	558	2,237

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
226
-

Payments to Directors consist of directors' salaries, fees and consulting fees for the quarter, including superannuation. This excludes any amounts that were unpaid as at the end of the quarter.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		


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9. Estimated cash outflows for next quarter *	\$A'000
9.1 Research and development	2,315
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	363
9.6 Administration and corporate costs	279
9.7 Other (provide details if material) (further investment in overseas subsidiary (\$253), payment for capital equipment for integrated trial (\$129) and GST (\$15))	773
9.8 Total estimated cash outflows	3,730

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

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.

Sign here:  Date: 31/7/18
(Director)

Print name: Ken Richards

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.