

20 November 2018

CHAIRMAN'S ADDRESS

Welcome to the Leaf Resources 2018 Annual General Meeting.

The last 12 months has seen Leaf Resources continue to make substantial progress toward the commercialisation of the Glycell™ technology and development of a biorefinery in Malaysia, which will produce clean industrial sugars, glycerol and lignin as inputs to downstream manufacturing processes.

The market opportunity for sustainable technologies and solutions continues to grow, driven by increased demand from consumers, corporates and governments worldwide. The global market for green chemistry is expected to grow to almost \$100 billion by 2020, and Leaf is well positioned to take advantage of this dynamic with both its Glycell™ and LeafCOAT technologies.

I'd like to take this opportunity to highlight the key steps the company has taken in the last 12 months, as well as outlining our pathway moving forward.

In February Leaf secured a legal agreement for a two-year option on land at Segamat, Johor, Malaysia, which is ideally suited for the proposed biorefinery that will incorporate our Glycell™ technology.

The Johor site is surrounded by an abundance of biomass in the form of palm oil empty fruit bunch which is an ideal input to the Glycell™ process. In addition, we have been able to partner with a neighbouring company - Biovision & Greenergy (B&G) – which has the logistical setup to bring biomass from palm mills to the site in an acceptable timeframe.

In July we further progressed our relationship with B&G, signing a non-binding memorandum of understanding (MOU) for the supply of 100,000 bone dry tonnes of empty fruit bunch fibre (EFBF). We are now working positively towards a definitive legal agreement with B&G, which will have an initial term of ten years.

The site has access to key utilities; is close to an inland port; and we are receiving strong Malaysian government support for the project, with the opportunity to secure valuable income tax exemptions.

Another key milestone during the year was the release of a feasibility study in June by international engineering firm Aurecon that independently assessed the viability of the proposed biorefinery in Malaysia.

That report concluded that:

- The Segamat site is “ideally suited” for the biorefinery project, with large volumes of local, low cost empty fruit bunch biomass available for sugars conversions and energy supply
- There was strong Malaysian Government support
- All major environmental impact assessment approvals are achievable within a reasonable timeframe; and
- The project exhibits strong economics on a base case, with potential for upside

The estimated project economics from the study are impressive, with Aurecon concluding that the facility would generate US\$47m EBIDTA on a capital cost of US\$146m (with external utilities).

The feasibility study paves the way for final design, financing, regulatory and board approvals necessary for the biorefinery project.

We completed phase 2 of our Integrated Development Study (IDS) in Delft, Holland, where samples of C6 industrial sugars and lignin were successfully produced.

We are currently undertaking Phase 3 of the IDS, with the SMB unit required for the final phase installed and successfully commissioned. Chromatography separation will be fully integrated in order that all three phases of the Glycell™ process are linked and validated. This complete system, with all three core process steps integrated, will run for up to 1,000 hours.

The IDS is a critical component of the overall validation program for the Glycell™ technology, and an essential input to both the design and financing requirements for the biorefinery.

The data generated by these studies will support the Front End Loading or FEL 3 engineering study, which will feed into our final engineered design for the Segamat site. An institutional grade bankable feasibility study will then be completed to support final due diligence and project financing.

We are very close to appointing the engineering company for the FEL 3 Study.

During August we announced the signing of an MOU with Petronas Chemicals Group Berhad for the offtake of industrial sugars we will produce at the Malaysian biorefinery. Petronas is one of the largest integrated chemicals producers in South East Asia. The MOU is another significant indication of the interest in renewable chemicals from large corporate players.

Last month we were also granted our manufacturing license for the biorefinery project by the Malaysian Investment Development Authority (MIDA), with final approvals subject to the normal environmental assessments and other requirements.

Looking forward to 2019, we are firmly on track for a bankable feasibility in mid-2019 and have projected that construction on the facility will start late next year. We will maintain a rigorous focus on executing the various steps required to progress the project towards commercialisation and we will ensure that shareholder funds are invested in a way that continues to build value in the company.

All in all, our staff have done a power of work and have advanced the project significantly in the last 12 months, as evidenced by the below chart highlighting our operational progress.

THE CRITICAL PATH TO PROJECT CONSTRUCTION

- Completed up to October 2017
- Completed October 2017-October 2018
- Underway October 2018 onwards

Proving technology/ engineering design	Independent testing (350 hours)	External validation	Phase 2 IDS	Phase 3 IDS	FEL 3 (engineering)				
Identifying & securing site & feedstock supply	Project management agreement (Claeris)	Preferred country location	Site selection	Preliminary agreement on utilities, EFB supply	Site option agreement executed	Glycerol supply preliminary agreement	Final utilities agreement	Final EFB agreement	Final glycerol agreement
Government & regulatory approvals	Key government agency support letters	Manufacturing license	Tax exemption application	Tax exemption approval	Environmental approvals	Final Government approval			
Proving economics & feasibility	FEL 1	FEL 2	Independent feasibility	FEL 3	Bankable feasibility				
Project financing	New energy risk insurance Application	TDA application	Investment structure	Project financing documentation	Debt secured	Equity secured			
Identifying & securing offtake customers	Testing of sugars	Phase 2 IDS samples	Glycerol offtake agreement	LeafCOAT samples	MOU for sugars offtake (Petronas)	Final contracts executed			

Current timetable facilitates a commencement of construction in last quarter of CY2019



Having completed an oversubscribed \$5 million placement in August, we have now raised a total of \$20m for the development of the Glycell™ technology. To have reached the point where we have a completed feasibility study on this budget is an achievement in which our team can be proud.

From a key personnel perspective we have announced some changes, with Ken Richards to soon step down as Managing Director, and Alex Baker to take over this role. Alex brings to the table the right mix of skills for Leaf's next phase of development and the finalisation of the Malaysian project.

I would like to thank Ken for the work done in bringing Leaf through the development stage. We'd also like to acknowledge the significant contribution of outgoing COO Jason Lowry, who is heading back to the US having made a very strong contribution to Leaf in a short period of time.

We have some critical milestones to achieve over the next 12 months, but I'm confident we will deliver on those milestones. On behalf of the Board and management, I thank you for your continued interest and support.

Doug Rathbone

ENDS

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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