

31 October 2019

Australian Securities Exchange Announcement

September 2019 Quarterly Update

Highlights

- **Malaysian local partner secured to help progress biorefinery project funding**
- **Joint Development Agreement signed with leading renewable fuels and chemicals manufacturer Gevo, Inc.**
- **Completion of Non-renounceable Rights Issue**

Leaf Resources Limited (ASX: LER) is pleased to provide an update on its activities for the quarter ended 30 September 2019.

During the past quarter the Company has continued to progress towards its objective of establishing the first Malaysian biorefinery project using Leaf's proprietary Glycell™ technology.

Operational Update

Malaysian Project

During the period the Company announced that Leaf Malaysia Op Co Sdn Bhd (Leaf Malaysia) secured a Malaysian partner for 51% ownership of the Leaf Malaysia entity.

The structuring of Leaf Malaysia to include a local shareholder is an important step that will help progress the project and give the Company an opportunity to secure valuable Government support including funding assistance. This includes funding under the Malaysian Technical Depository Agency (TDA) Industrial Collaboration Program (ICP).

In addition, the investment has been structured to protect the economic share of the Malaysian project for existing Leaf shareholders.

An application has since been submitted to the TDA which, in addition to project capital funding, seeks funding support for pre-construction expenses. This application is now in review. A successful outcome will enable Leaf Malaysia to fund the project through to bankable feasibility stage, including the FEL3 study and associated expenses.

Joint Development Agreement with Gevo

Leaf signed a Joint Development Agreement (JDA) with Colorado-based Gevo during the quarter to explore the potential use of cellulosic derived sugars and glycerol from Leaf and the ability to convert these to hydrocarbon molecules useful as fuels or chemicals.

Gevo is focused on the development and commercialisation of renewable alternatives to petroleum-based products. This includes the development and production of mainstream fuels like gasoline and jet fuel using renewable feedstocks that have the potential to lower greenhouse gas emissions at a meaningful scale. Low carbon alternative jet fuels developed by Gevo have been used commercially. Gevo announced in August that it has entered into a partnership agreement with French aviation fuel producer and distributor Air TOTAL International SA (Air TOTAL) to produce and supply sustainable aviation fuel (SAF) for use and distribution in France and other parts of Europe.

The JDA with Leaf is structured around three phases of joint work designed to establish a bankable project. Phase 1 will develop the feasibility of a potential facility, followed by phases investigating the commercial development and commercialisation of the project. Gevo and Leaf will carry their own costs during phase 1 of the project, with further funding to be determined by a future written agreement after completion of the phase 1 milestones

Subject to the necessary R&D under this project, Leaf sees strong potential to work with Gevo in the delivery of renewable alternatives to petroleum-based products, where the Company expects demand to significantly increase over time.

Corporate

Leaf completed a non-renounceable rights issue during the period, raising a total of \$545,000 before costs. This rights issue allowed for one new share for every 14 shares held, at an issue price of \$0.025 per share.

The new shares applied for under the Entitlement Offer were allotted on Friday 6 September 2019.

	Number of Shares	Funds at \$0.025 per share
Total to be issued under the Offer	21,799,936	\$544,998.40
Acceptances – Entitlement Offer	11,825,779	\$295,644.85
Acceptances – additional applications	9,974,157	\$249,353.55
Shortfall (available to be placed)	NIL	NIL

Presentation

Following the end of the period, the Company released an updated investor presentation: <https://www.asx.com.au/asxpdf/20191022/pdf/449qg8jh8zvztl.pdf>

R&D Tax Incentive

Following the end of the period Leaf received \$2,838,226 in respect to its entitlement under the R&D tax incentive program for the 2019 financial year. Part of these funds will be used to settle the R&D financing loan Leaf received from Radium Capital. The remaining \$900,000 will provide ongoing working capital for the Company.

Outlook

The Company's focus over the current quarter will remain on the management of the Malaysian TDA application process, given its importance to the successful progress of the project.

While reported cash reserves were low at the end of the quarter, they have been supplemented by the rights issue and R&D tax incentive as detailed above. The Board has determined that overhead cost reductions already implemented and prudent management of capital will enable the Company to advance its objectives. Directors believe that a staged approach to the ongoing development and commercialisation of the Company's technology is appropriate, whereby key milestones are achieved and risk is reduced prior to seeking additional funding.

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

Contacts:

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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 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(549)	(549)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(231)	(231)
(f) administration and corporate costs	(170)	(170)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(950)	(950)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	(9)	(9)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	343	343
	(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	334	334

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	497	497
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	(24)	(24)
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	473	473

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	294	294
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(950)	(950)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	334	334
4.4	Net cash from / (used in) financing activities (item 3.10 above)	473	473

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	151	151

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	151	293
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)	151	293

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**

149
-

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)	1,805	1,805
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.		
R&D Financing – advancement of future R&D tax incentive receipts. Lender – Radium Capital. Interest rate 15% per annum for initial \$660k. Interest rate 14% per annum for additional drawings. Security over the future R&D tax incentive cash receipts.		

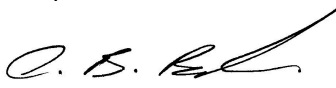
9. Estimated cash outflows for next quarter *	\$A'000
9.1 Research and development	477
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	173
9.6 Administration and corporate costs	184
9.7 Other (provide details if material) (further investment in overseas subsidiary (54), repayment of R&D loan facility (1,953), GST (15))	2,022
9.8 Total estimated cash outflows	2,856

* Note, the cash outflows will be offset by funds from R&D tax incentive of approx. \$2.3M. please reference ASX announcement October 18th 2019.

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 October 2019.....
(Managing Director)

Print name:Alex Baker.....

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.