

31st July 2020

Australian Securities Exchange Announcement

June 2020 Quarterly Update

Leaf Resources Limited (ASX: LER) is pleased to provide an update on its activities for the quarter ended June 2020.

Operational Update

Malaysian Project

On 13 January 2020, Leaf Resources announced confirmation of a critical milestone with the receipt of correspondence from the Malaysian Technical Depository Agency (TDA) regarding the acceptance and completion of the Company's application for funding consideration under the Industry Collaboration Program (ICP stage 1).

The TDA advised that it has commenced the ICP second stage process seeking to match Leaf's proposed Malaysian biorefinery project with the ICP program and Malaysian government procurement obligations. Business and government activity in Malaysia are recommencing, however all foreign nationals, with very limited exceptions, are restricted from entry to Malaysia until August 31. The Company is awaiting an update from the TDA regarding the applications status.

Queensland Project

Local Queensland engagement has had to be temporarily curtailed continuing through the quarter due to COVID-19 related lockdown measures enacted by the Queensland government. The Company will be looking to re-initiate those discussions when circumstances allow. Currently there are approximately 12 million bone dry tonnes of available biomass produced in Queensland with more than 90% of this material from the sugar cane industry.

Corporate Outlook

On the 16th July the Company announced that it has entered into a conditional Share Sale Agreement to acquire all of the issued capital of Essential Queensland Pty Ltd (**EQ**), an Australian private company, which utilises proprietary extraction technology to produce sustainable and renewable pine chemicals for sale into global markets. This acquisition combines two complimentary technologies, creates a stronger business position to address large and growing global markets for renewable industrial chemical products including pine chemicals. The objective is to secure near-term cash earnings and growth opportunities using EQ's technology while providing longer term opportunities based on Glycell™ technology.

As noted in the 16 July 2020 release, the acquisition is conditional on the satisfaction of a number of conditions precedent including, the Company obtaining all required shareholder and regulatory approvals necessary for implementation of the Acquisition (including, under the ASX Listing Rules and Corporations Act) and if required, LER re-complying with Chapters 1 and 2 of the ASX Listing Rules and being

reinstated to trading on the ASX in accordance with ASX Listing Rule 11.1.3. The Company has made submissions to the ASX regarding the application of Chapter 11 of the ASX Listing Rules to the Acquisition and will update shareholders in due course. Until such time as a decision is received and in the case of a determination that ASX Listing Rule 11.1.3 applies, until the securities of the Company are reinstated to trading on the official list of the ASX, the Company will be suspended from quotation.

EQ's growth strategy as a low-cost producer in the global pine chemical market includes potential brownfield expansion at the existing site as well as the development of multiple commercial scale extraction plants at different locations in Australia and overseas. This too, is complementary with the Company's growth strategy of providing sustainable product to the large and growing global markets for renewable chemicals.

Circular bio(based)economies have set drivers focusing on lignocellulosic biomass as a platform chemical feedstock to produce intermediates for industry to take further along the low carbon renewable value chain. Biorefineries are regarded as a cornerstone of a bioeconomy and can be deployed and integrated to transform biomass to usable useful chemicals.

Accordingly, the Company believes the proposed transaction is highly complementary to its current technology, projects, and operations and presents a real opportunity for increase in shareholder value, even if the economic impacts of the COVID-19 pandemic had not occurred.

The Company also expects the period to 30 September 2020 to deliver an updated position in relation to the ICP process, as well as assessing developments in respect of the Queensland project.

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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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")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (.....months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	6
1.2 Payments for		
(a) research and development	(5)	(1038)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(93)	(652)
(f) administration and corporate costs	(51)	(495)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	(107)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	59	2898
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(90)	612
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(19)
(d) investments	-	(61)
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (.....months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	343
	(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)	-	-
2.6	Net cash from / (used in) investing activities	0	263

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	602
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	-	(31)
3.5	Proceeds from borrowings	-	75
3.6	Repayment of borrowings	-	(1805)
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	0	(1159)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	100	294
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(90)	612
4.3	Net cash from / (used in) investing activities (item 2.6 above)	0	263

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (.....months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(1159)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	10	10

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	10	100
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)	10	100

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

-

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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

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	0	0

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.

A loan of \$600,000 was entered into from Essential Queensland in conjunction with the proposed Essential Queensland acquisition per ASX release of 16 July 2020. Following settlement of payments and transaction related costs approximately \$185,000 is allocated towards future operating activities, this being the figure used below for 8.3.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(90)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	10
8.3 Unused finance facilities available at quarter end (Item 7.5)	185
8.4 Total available funding (Item 8.2 + Item 8.3)	10
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.1

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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: Yes, the company does expect to have sufficient funding in the medium term by way of various cost cutting measures, access to current government incentives, loan funding and capital raisings with regards to proposed Essential Queensland acquisition per ASX release of 16 July 2020.

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: Yes, the company has taken steps with a number of parties to fund its ongoing operations by way of further capital or debt facilities. Based on these steps the company believes that it will be successful. Refer to 8.3 Question 1 regarding Essentials Queensland press release.

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: Yes, the company expects to be able to continue its operations in the medium term based on the steps undertaken at 8.6 Question 2.

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: 31st July 2020

Authorised by: By the Board.

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.