

ASX RELEASE

31 JANUARY 2022

## **QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C**

### **FOR QUARTER ENDING 31 DECEMBER 2021**

Leaf Resources Limited (ASX: LER) ("**Leaf**" or "**Company**"), announced today that it intends to remain in voluntary suspension until the 21<sup>st</sup> March 2022.

The Company confirms:

- Approximately 10-15% of the plant infrastructure was damaged or destroyed in the explosion on the 12<sup>th</sup> November 2021.
- Leaf continues to work with WorkSafe Queensland health and safety officers and our insurance providers to determine the possible causes of the explosion.
- The site is currently not in operation. WorkSafe and insurance assessments need to be completed prior to the Company determining a timeframe for repairs.
- The Company will seek to remain in voluntary suspension until the Company is in a position to advise the market of the likely cause of the explosion; the full extent of the damage; the likely downtime; viability of and timeframes for remediation and repair program; insurance coverage and estimated financial impact due to loss of revenue and/or assets.

Nevertheless, since the incident the Company continues the extensive work required to determine a defined recovery plan to achieve 16,000 tonne production, as was targeted prior to the incident.

This work program is currently expected to be completed in the 3<sup>rd</sup> week of March 2022.

Please find a link to Ray Mountfort Managing Director address to shareholders.

<https://leafresources.com.au/project/apple-tree-creek-incident-update/>

Further information will be announced once assessments and planning are complete.

**TERRY GRAY**

Director

[terry.gray@leafresources.com.au](mailto:terry.gray@leafresources.com.au)

## Appendix 4C supporting notes

During the period the Company incurred expenditure of \$661,000 in relation to administrative and corporate costs and \$849,000 in relation to staff costs. A total of \$657,000 of operating costs and \$288,000 of property, plant and equipment was expended during the quarter in relation to the Apple Tree Creek site. The Company received \$2,772,000 in relation to the 2021 financial year Research and Development Tax Incentive Program and repaid R&D loan balances of \$1,444,000. A total of \$291,000 from the exercise of share options was received during the period.

Fees, salaries and superannuation contributions paid to Directors during the quarter amount to \$243,000 as disclosed at item 6.1 of the Appendix 4C.

The following information is provided pursuant to Listing Rule 4.7C.2.

Use of funds	Estimate <sup>1</sup> (as per prospectus 17 Nov 2020)	Actual (From re-admission to 31 Dec 2021)	Variance Under / (Over)
Type	\$'000	\$'000	\$'000
Optimisation of the Apple Tree Creek Plant	\$2,054	\$1,239	\$815 <sup>(2)</sup>
Completion of construction and commencement of commissioning of Apple Tree Creek Plant.	-	\$807	(\$807) <sup>(3)</sup>
Supply security bond	\$300	-	\$300 <sup>(4)</sup>
Expenses of the offer	\$423	\$420	\$3
Working capital and administration and corporate costs	\$223	\$534	(\$311) <sup>(5)</sup>
<b>Total</b>	<b>\$3,000</b>	<b>\$3,000</b>	<b>\$0</b>

<sup>1</sup> The above table was a statement of current intention as at the date of the prospectus. With any budget, intervening events and new circumstances have the potential to affect the manner in which funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

<sup>2</sup> Completion of the optimisation work at the Apple Tree Creek plant was completed during the December 2021 period.

<sup>3</sup> The completion of the Apple Tree Creek plant experienced delays over the December 2020 and January 2021 period as a result of closures and COVID-19 restrictions during that period that impacted the ability for contractors and technicians to travel to site and the transportation of goods, these costs were as per previously budgeted expenditure but were delayed until the March 2021 quarter as a result of these timing issues.

<sup>4</sup> The Company is currently managing the payment terms with the pine log supplier under the existing credit limits. The additional \$300,000 security bond will be applied in future periods as production ramps up.

<sup>5</sup> The additional costs directly relate to additional corporate costs as a result of the delays experienced in completing construction of the Apple Tree Creek plant which included the impact of Covid-19 on the availability of contractors and transportation delays as detailed in point 3 above.

## AUTHORISATION STATEMENT

This update has been authorised to be given to ASX by the Board of Leaf Resources Limited.

--ENDS--

**TERRY GRAY**

Director

terry.gray@leafresources.com.au

## **ABOUT LEAF RESOURCES**

Following the acquisition of Essential Queensland Pty Ltd ("EQ") in December 2020, Leaf Resources is embarking on the biggest step-change the pine chemicals industry has experienced since the 1950's. It has developed a world-first, proprietary process for extracting pine chemicals in a sustainable and scalable way.

Leaf applies the patented natural organic solvent production process to extract sustainable and clean pine chemicals from resinous pine logs and stumps at significantly lower cost than existing global supply, without the chemical additives traditionally used.

Leaf and EQ technologies enable the replacement of petroleum-based chemicals and plastics as society moves towards the bio economy.

## 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")**

31 December 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	34	110
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(657)	(1,449)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(849)	(1,682)
(f) administration and corporate costs	(661)	(1,158)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(230)	(306)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (R&D refund)	2,772	2,772
<b>1.9 Net cash from / (used in) operating activities</b>	<b>409</b>	<b>(1,713)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(288)	(960)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(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 - Proceeds received on acquisition of Essential Queensland Pty Ltd	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(288)</b>	<b>(960)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	8,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	291	291
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(480)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(1,770)	(1,915)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (principal portion of finance leases)	(55)	(96)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(1,534)</b>	<b>5,800</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	5,283	743
4.2	Net cash from / (used in) operating activities (item 1.9 above)	409	(1,713)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(288)	(960)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,534)	5,800
4.5	Effect of movement in exchange rates on cash held	(6)	(6)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>3,864</b>	<b>3,864</b>

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	3,864	5,283
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,864</b>	<b>5,283</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	243
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

Includes Directors Fees, salaries and superannuation contributions.

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	2,000	2,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	2,000	2,000
7.5	<b>Unused financing facilities available at quarter end</b>		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.		
	7.1 – On 29 April 2021 the Company entered into a secured finance facility with Altor Capital. The total facility amount is \$2,000,000 with an interest rate of 11% per annum and term of 3 years with monthly principal and interest repayments. Under the facility agreement Altor Capital received 4,000,000 options with an exercise price of \$0.13 and expiry date of 3 years from issue.		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	409
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,864
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,864
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	N/A
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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: N/A	
8.6.2	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: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

## 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: 31 January 2022.....

Authorised by: By the Board.....  
(Name of body or officer authorising release – see note 4)

## 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.