

Leaf takes initial step in restoring its plant at Apple Tree Creek

Leaf Resources Limited (ASX: LER) ("**Leaf**" or "**Company**") is pleased to announce that short-term financing has been arranged to enable it to acquire key equipment required to restore its plant, being a fit for-purpose solvent extractor with capacity to produce 16,000 tonnes per annum ("**TPA**") of Leaf's natural pine chemical products. The capacity of the plant prior to the incident was 8,000TPA.

The Company has paid NZ\$2,587,000 (including 15% GST) or NZ\$2,250,000 (excluding GST) for the solvent extraction equipment and work has begun dismantling the plant in New Zealand while the Apple Tree Creek site is being readied for the installation of the replacement equipment.

The Company is in the process of arranging permanent funding for the payment of related transportation, installation costs and general working capital to bring the Apple Tree Creek plant back into operation.

Short-term funding has been secured via the issuance of A\$1,510,000 secured convertible notes, and A\$500,000 expansion of the Facility Agreement with Altor Capital. Both facilities are secured against the Company and the Company's plant and equipment (refer terms below). The balance of the proceeds has been funded from the Company's existing cash reserves.

The Company has received confirmation from its insurance agent that it is indemnified by the insurers to replace damaged equipment. As previously announced, the Company has received its first installment of A\$240k from its insurer. The balance is expected to be received in installments as the Company progresses in replacing the equipment.

Determination of the availability and timing of permanent funding will directly impact the likely downtime, viability of and timeframes for remediation and repair program. Until these items can be determined with certainty, the Company continues to seek to have the voluntary suspension remain in place until 31 May 2022 (in accordance with its announcement dated 29 April 2022).

Convertible Note Terms:

- A\$1,510,000 with face value of \$1 per note
- Second ranking charge over company and assets after senior loan of \$1.45m
- 3 months term
- 12% p.a. coupon (payable in cash at maturity or conversion, minimum 3 months duration)
- Converts at a 10% discount to an equity capital raising which is a condition precedent to determining the likely timeframe for the reinstallation program
- Notes will convert to ordinary shares upon completion of the equity capital raising

Facility Agreement:

- Issue/Offering: \$500,000, repaid on receipt of insurance proceeds
- Security: First ranking security over the company
- Term: To be repaid on receipt of first insurance payment but no later than 15 June 2022
- Interest rate: 11% p.a. with interest being paid monthly in arrears on the Facility
- Option Issue: 10,000,000 3 year options with a \$0.04 exercise price

AUTHORISATION STATEMENT

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

KEN RICHARDS

Chairman

Mob: 0408 891 491

ken.richards@leafresources.com.au