

LEAF SECURES FUNDING TO ADVANCE UPGRADED 16,000TPA PLANT

Highlights:

- ✔ Placement to sophisticated and professional investors to raise \$5.1 million, plus \$1.5 million convertible notes to convert to equity
- ✔ Leaf is now clear to execute its growth strategy to double production targets to 16,000 tonnes per annum ("tpa")
- ✔ Leaf's new 16,000tpa plant (previously acquired in May 2022) is currently being readied for shipment
- ✔ Stump processing is underway, with significant optimisation improvements resulting in 100% efficiency gains with respect to stump pulling, and expected yield improvements
- ✔ Yasuhara Chemical Co., reaffirms offtake agreement for market leading terpene products, with site visit recently completed
- ✔ Insurance payments remain on track, with \$1.4 million received to-date ensuring Leaf is well funded to commence construction and commissioning

Leaf Resources Limited (ASX: LER) ("**Leaf**" or "**Company**"), Australia's leading natural and renewable pine chemicals company, is pleased to provide an announcement in relation to a successful capital raising and an operational update ahead of the relisting of its securities on ASX.

FINANCING

The Company has received firm commitments from unrelated sophisticated and professional investors to raise \$5.1 million through the issue of approximately 170.0 million fully paid ordinary shares in the Company ("**Shares**") at \$0.03 per Share ("**Placement**"). For every two shares subscribed for in the Placement, one attaching option will be issued with an exercise price of \$0.045 expiring on 31 August 2023 ("**Options**").

In addition, the Company completed a convertible note issue which raised \$1.51 million in May 2022. These funds were used to acquire the replacement plant. All noteholders will convert to Shares at \$0.027 and be issued Options on the same terms as the Placement ("**Note Issue**").

The Company welcomes all new investors to the register in the knowledge they are aligned to the Company's near and long-term strategy for production growth.

Insurance recoveries received to-date total \$1.4 million, with a further \$3.2 million expected to be claimed and received as capital expenditure for the upgraded plant. This will be invoiced to the insurer.

The Company is also expected to receive a further \$2.4 million from the R&D tax rebate later in 2022.

The successful completion of the capital raising secures funds that will accelerate the reinstatement of production.

The Placement ensures that the Company has sufficient capital to complete the dismantling of the New Zealand plant equipment, cover shipping and transport costs to relocate the plant and finish plant construction in Australia.

The Company is in discussions with several non-dilutive funding providers that, when secured, will fund Leaf through to profitability and free cash flow.

REPLACED AND UPGRADED 16,000TPA PLANT

Leaf's new plant, currently in New Zealand, is being dismantled, chemically cleaned, water blasted and repainted. Key components will commence being transported to Australia in the coming weeks, with plant construction to commence in the December 2022 quarter.

Superior Stainless Ltd ("**Superior**") in New Zealand have been engaged to dismantle and prepare the plant for relocation. Superior has an impressive performance record, with work that has been safe, on time and on budget.

Further to the plant's arrival all site works, staffing and other preparations have been aligned to ensure a smooth rebuilding and commissioning.



Leaf's upgraded plant equipment in New Zealand

The Company has engaged specialist third party engineering firms for all design, project management, regulatory and safety compliance aspects of the rebuild to ensure the plant operates at optimum capacity and yield.

Commissioning is expected to commence in the March 2023 quarter, with first pine chemical sales during the same quarter. Production targets of 8,000tpa run-rate and 16,000tpa run-rate are expected to be achieved in June 2023 and September 2023 quarters respectively.

Operating at 16,000tpa and based on the average commodity price over the last 12-months, the new plant is expected to generate \$68 million in revenue.

Product	Revenue per tonne AUD ¹	Operating capacity (Apple Tree Creek) ²	Revenue Potential
ROSINS	\$3,800	13,600 tpa	\$51.7m
TERPENES	\$6,014	2,400 tpa	\$14.4m
WOOD CHIPS	\$36	52,200 tpa	\$1.9m
TOTAL			\$68.0m

1. <http://www.rosinnet.com>, 12 month average spot price LTM assuming AUD/USD exchange rate of \$0.69

2. Internal mechanical and chemical engineering estimates

ENHANCED STUMP PROCESSING PROCEDURES WILL INCREASE YIELDS

Leaf has commenced new stump processing operations in conjunction with Hancock Timber Resource Group (“**Hancock**”). Innovative new equipment, called the “T-rex” has been on site optimising the pulling, cleaning and sizing of stumps. This process now takes 30 seconds per stump versus 60 seconds previously and yields are expected to increase as stumps are sized in the forest, with non-resinous parts of the stump left behind.



New stump pulling equipment, the “T-rex”

DECARBONISING THE CHEMICAL INDUSTRY

The Company continues to be well positioned with strong ESG credentials as organisations and governments globally increasingly look to replace petrochemical product inputs with clean, natural and sustainable inputs. Leaf's unique patented-processing technology for extracting pine chemicals only uses steam and the trees own natural chemicals as the solvent. Furthermore, Leaf only utilises FSC certified forests ensuring that for every tree harvested another is planted. Stumps have previously been considered a waste wood and are often left in the ground, hindering future free growth. By removing the stump (which is the highest yielding part of the tree), Leaf's process aids in regenerating the forest.

The addressable market for rosin and terpenes is over US\$10 billion³ per annum along with expected CAGR 5% through to 2027⁴.

DETAILS OF THE PLACEMENT

Leaf Resources' corporate advisor, Sequoia Corporate Finance, arranged the Placement and preceding Note Issue. The Company is pleased with the mix of new and existing professional and sophisticated investors that supported both raisings and the Company looks forward to a successful delivery of the upgraded plant, followed by full production and revenue.

A total of \$5.1 million will be raised via the issue of 170,000,000 Shares at a price of \$0.03 per share. For every two Shares subscribed for in the Placement, participants in the Placement will receive, subject to shareholder approval, one free-attaching option to acquire a Share with an exercise price of \$0.045 each and expiring on 31 August 2023 ("**Options**"). The Company will issue 156,666,667 Shares under the Placement (**Placement Shares**) in July 2022 and 13,333,333 Placement Shares in or around August 2022, upon receipt of the subscription funds under the Placement. The Placement was made at a discount of approximately 62% to the last traded price of Shares and a 61.67% discount to the 15-day VWAP of Shares. The Options to be issued under the Placement will be issued pursuant to a prospectus to be lodged by the Company on or around 30 August 2022.

All convertible notes, totaling \$1.51 million will convert to Shares at \$0.027, being a 10% discount to the Placement price. A total of 55,925,935 Shares will be issued under the Note Issue. Noteholders will receive, subject to shareholder approval, one free-attaching Option for every two Shares issued under the conversion, on the same terms as the Options issued under the Placement.

After the inclusion of the new shares, the Company will have an indicative market capitalisation of \$52.2 million based on the Placement price of \$0.03.

The securities to be issued in respect of the Placement and the conversion of the convertible notes will be issued as follows:

	Shares issued under the Company's available placement capacity pursuant to Listing Rule 7.1	Options to be issued subject to shareholder approval under Listing Rule 7.1*
Securities to be issued under the Placement	170,000,000	85,000,000
Securities to be issued in respect of conversion of the Convertible Notes	55,925,935	27,962,973
Total	225,925,935	112,962,973

* The Company plans to call an Extraordinary General Meeting to obtain Shareholders' approval for the issuance of the Options at the earliest convenience. All Options will be issued under a prospectus proposed to be lodged by the Company in August 2022.

3. PCA Industry Report – Global Impact of Modern Pine Chemical Industry 2019

4. Fact.MR Pine Chemicals Market Forecast, Trend Analysis & Competition Tracking - Global Market Insights 2019 to 2027 Feb 2020; Executive Summary

BOARD UPDATE

Leaf Resources advises that Mr Grant Yeatman will step down from the Board on 21 July 2022. The Board thanks Grant for his valuable contribution to the Company and is pleased to confirm that Grant will continue in his role as Chief Operating Officer of Leaf Resources leading the plant rebuild.

For more information please contact:

Managing Director
Ray Mountfort

Investors@leafresources.com.au

Investor Relations
Peter Taylor

Peter@nwrcommunications.com.au

AUTHORISATION STATEMENT

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

ABOUT LEAF RESOURCES

Leaf is positioning itself to become a leading global supplier of natural and renewable pine chemicals. It has developed a proprietary process to naturally extract pine chemicals by employing the trees own solvent chemicals to extract rosin and terpenes. These products are commonly used in industrial manufacturing and are a key input to everyday end products. These products include adhesives, gum, inks, paint, car tyres and perfume.

Leaf is currently reinstating and upgrading its first plant and is expected to be in production in early 2023.