

ASX RELEASE

31 August 2022

CLARIFYING ANNOUNCEMENT – BUSINESS UPDATE

Leaf Resources Limited (ASX:LER) (**Company** or **Leaf**) refers to its announcement released on 19 July 2022 titled “Business Update” (**Business Update**). The Company wishes to provide clarification and further information in respect of some of the statements made in the Business Update.

Expected Revenue

The Company announced in its Business Update that “the new plant is expected to generate \$68 million in revenue”.

The Company wishes to clarify that the “expected” revenue figure of \$68 million announced is simply a calculation of estimated revenue per tonne of each of rosins, terpenes and wood chips, based on each of their average spot prices over the previous 12 months (obtained from <http://www.rosinnet.com/>) (assuming an AUD/USD exchange rate of \$0.69), multiplied by the increased operating capacity and production target of each of rosins, terpenes and wood chips, totalling 16,000 tpa (based on internal mechanical and chemical engineering estimates), being produced by the Company by September 2023.

For the avoidance of doubt, the reference to \$68 million is a reference to the “revenue potential” based on the following assumptions:

- (a) the increased operating capacity of the plant (as described above);
- (b) the average commodity price over the prior 12-month period (as described above); and
- (c) the internal mechanical and chemical engineering estimates prepared by the Company after reviewing the new plant design,

and is not a revenue expectation.

ESG Credentials

The Company further announced in its Business Update that “the Company continues to be well positioned with strong ESG credentials”.

The Company wishes to clarify that the basis for the statement above is as follows:

- (a) Organisations and governments globally are increasingly looking to replace petrochemical product inputs with clean, natural and sustainable inputs. Leaf Resources produces chemicals sourced from renewable pine tree feedstock, instead of non-renewable fossil fuels, by using its unique patented-processing technology for extracting pine chemicals only using steam and the trees own natural chemicals as the solvent.
- (b) Leaf Resources sources trees from forests which are farmed on a 30-year cycle, which means for every tree used, another is planted. Our supplier forests based on Queensland store 54 million tonnes of carbon dioxide.
- (c) The Company produces water and spent wood as waste products as a result of its production process. The water is subsequently used for washing the stumps, the remaining water is separated from contaminants (stones, mud and small amount of water chemicals to control the PH) which can be used for irrigation. The waste wood is repurposed and can be used in a

multitude of products, such as wood pellets that replace coal in heating and power generation plants.

However, the Company wishes to advise that notwithstanding the above statements, the principal source of power used to run the extraction plant is electricity and diesel.

Management Liability Insurance Coverage

As previously announced on numerous occasions, as a result of the incident at the Apple Tree Creek plant, the Company understands that WorkSafe Queensland may impose a pecuniary penalty on the Company. However, the Company has not yet received any formal correspondence and as such, the likelihood of a penalty being imposed, the quantum of such a penalty, nor the period for payment, is not presently known.

The Company wishes to clarify that it has an insurance coverage of \$250,000 to address a potential WorkSafe Penalty.

If and when the Company receives confirmation on the imposition of a penalty from WorkSafe Queensland, the Company would disclose the matter in accordance with the Company's continuous disclosure obligations under the ASX Listing Rules.

Except as clarified by this announcement, all other information regarding the Company as stated in the Business Update announcement released on 19 July 2022 remains unchanged.

ENDS

For more information please contact:

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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.