

## QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C FOR QUARTER ENDING 31 DECEMBER 2022

### Highlights:

- ✔ Board confirms Rotorua as the new site for the first plant in New Zealand
- ✔ Leaf signs subscription agreement to raise \$5.35 million via strategic placement to Formosa Group Australia Ptd Ltd and Formosa Technologies Pty Ltd, (subject to shareholder approval), and followed by rights issue to raise up to \$5.4 million on similar terms
- ✔ The Taupo plant has been fully dismantled and is now stored on the new site in Rotorua, New Zealand, awaiting installation
- ✔ MOU is in place to lease the Rotorua site. The Peka Lands Trust is now working on converting the MOU to an agreement to lease (ATL); expected to be completed by the end of the first quarter.
- ✔ Key consultants have been engaged for the planning, plant design, civil engineering and forestry for Rotorua site
- ✔ Earthworks consent for the Rotorua site was lodged in December 2022
- ✔ Containers of key operating equipment are being arranged for shipment from Apple Tree Creek, Australia to New Zealand
- ✔ \$1.9 million received as part of entitlement under R&D tax incentive program rebate.

Leaf Resources Limited (ASX: LER, “**Leaf**” or the “**Company**”), an Australian natural and renewable pine chemical and wood pellet company is pleased to provide a summary of its activities for the quarter ended 31 December 2022 and attach its Appendix 4C.

### STRATEGIC INVESTMENT

In January Leaf received a signed non-binding Letter of Intent (LOI) from Formosa Group Australia Pty Ltd for the offtake of 300,000 tonnes per annum of premium wood pellets.

Leaf also signed conditional agreements with two Australian private companies, Formosa Group Australia Pty Ltd (“**FGA**”) and Formosa Technologies Pty Ltd (“**FT**”), to invest a total of ~A\$5.35 million into the Company, subject to shareholder approval.

This strategic investment will be facilitated via the issue of approximately 445.5 million fully paid ordinary shares in the Company (“**Shares**”) at an issue price of \$0.012 per Share (“**Placement**”). For every Share subscribed for in the Placement, one attaching option will be issued with an exercise price of \$0.045 expiring on 31 December 2025 (“**Options**”).

In addition, as soon as practicable after receipt of shareholders’ approval and completion of the Placement, Leaf will undertake a pro rata offer of Shares and Options on the expanded capital base to shareholders of Leaf (“**Shareholders**”) at a ratio of 1 new Share for every 5 Shares held (“**Pro Rata Offer**”) on substantially the same terms as the Placement.

The current situation in relation to the LOI (as reported on the 24<sup>th</sup> January 2023) is being resolved, and Leaf is keen to move forward with FGA. FGA have advised Leaf that they are working to clarify this matter and remain committed to working with Leaf to secure an appropriate offtake agreement.

Given that the LOI is non-binding and was always intended as a starting basis to explore opportunities facilitated by FGA for the offtake of wood pellets with a reputable buyer, Leaf has agreed to waive the precondition that in the subscription agreement for the placement for a suitable LOI to be provided. This precondition has also been waived by FGA and FT and therefore the placement will now only be subject to shareholders approval.

Leaf believes the market for wood pellets is strong and there are many opportunities in both the local NZ market and international market for offtake contracts and FGA and FT can help facilitate those opportunities on potentially better terms and conditions.

### **NEW ROTORUA SITE SELECTED**

In November 2022 Leaf made the decision to relocate the pine chemicals plant to Rotorua, New Zealand.

Leaf is pleased to advise that it has executed an MOU to lease a site in Rotorua that is of strategic importance to the Company.

The Peka Lands Trust is now working on converting the MOU to an agreement to lease. This is expected to be completed by the end of the first quarter.

The Taupo plant has been fully dismantled and is now stored on the new site in Rotorua, New Zealand.



**Figure 1.** *Plant in containers awaiting preparation for assembly and siteworks underway at the new Rotorua site*

## STRATEGIC LOCATION

The site is well located, with feedstock (pine stumps and logs) on its doorstep with a diversity of ownership of 6,000 plus owners. The maturity profile of that forest is highly suitable for Leaf’s operations and initial interactions with a small sample of owners indicates the mutual advantage of stump harvesting prior to replanting.

The site is part of an industrial park so many (but not all) of the permits required are in place, as is much of the necessary external infrastructure such as roads and power supply. The site can be secured on a long-term lease at market rates and has ample room for the current plant as well as considerable scope for expansion.

## DISTANCE OF WOOD SUPPLY FROM PROPOSED FACTORY

There is sufficient wood supply within a 50km radius from the proposed plant to adequately supply Leaf for the foreseeable future. The distance to feedstock has been halved when compared with Apple Tree Creek, resulting in considerable cartage savings.

The below infographic shows that the Central North Island, where Rotorua is located, has the highest concentration of New Zealand’s forestry with (560,001 hectares) of productive forests.

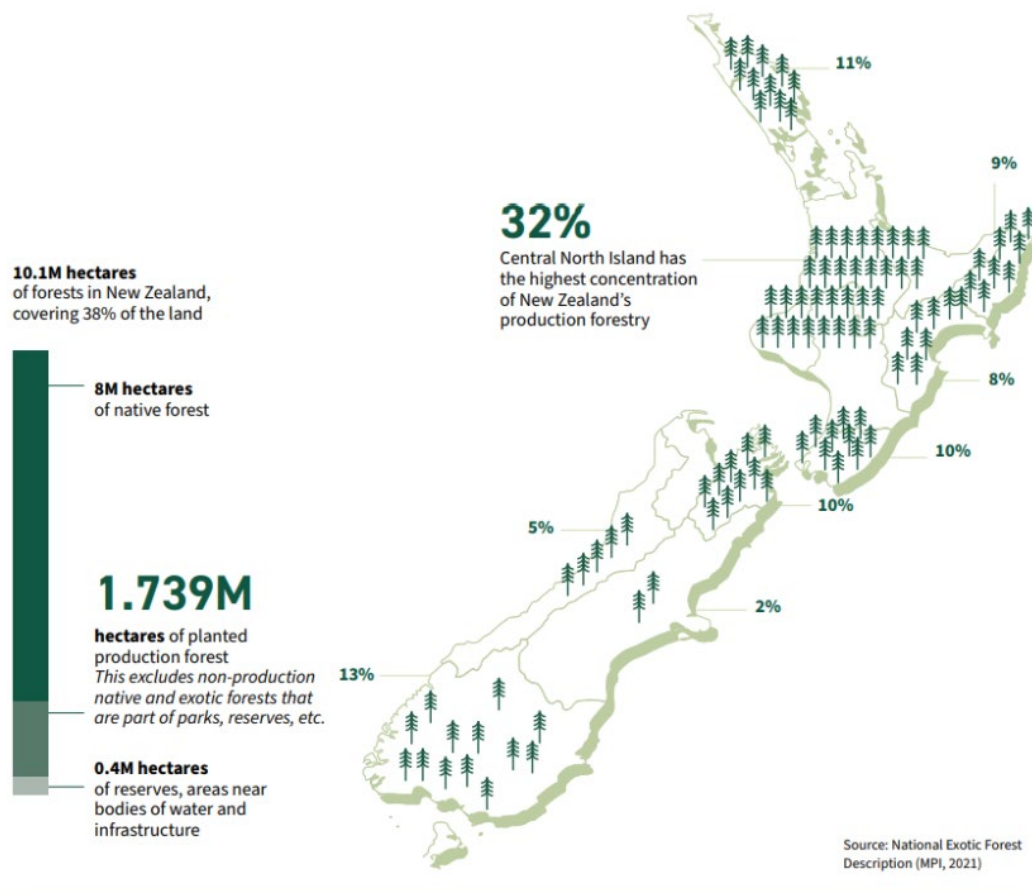


Figure 2. Forest density at New Zealand’s Central North Island

## WORKFORCE, ENERGY SAVINGS AND PELLETS

Rotorua is the centre of Forestry services in New Zealand and as a regional centre is the focus of Government initiatives to create employment. There are several other towns around it and with Tauranga only 67 kms away via a state highway there is a larger population pool from which to draw workers.

There are savings in power and connection costs because both are located at the doorstep of the proposed site.

An integral part of the planning for New Zealand is the production of pellets. Leaf's extraction process has already done a lot of the work necessary to make pellets, so Leaf has considerable cost savings in its production.

Commenting on the new site at Rotorua, Managing Director Ray Mountfort stated:

*"The decision to site the plant at Rotorua, once the opportunity was assessed and diligence completed, gives tremendous potential to the Company. The location is ideally surrounded by pine plantations, workforce, utilities, access to ports and provides a number of economic benefits.*

*Complementing the Rotorua site decision, the potential investment from FGA and FT is a positive development to our NZ expansion. I believe that the introduction of FGA and FT will be of long-term benefit to Leaf assisting in strategic matters as well as securing a potential offtake agreement. I look forward to their involvement in the company should shareholders pass the relevant resolutions."*

## CORPORATE

As per the announcement released to the ASX on 8 December 2022, the Company recently received a R&D tax rebate of ~\$1.9 million which adds to the available cash reserves at hand. This capital raising should enable the Company to expedite plant construction and accelerate the reinstatement of production.

Cash at the end of the December Quarter: \$2.085 million

During the period the Company incurred expenditure of \$350,000 in relation to administrative and corporate costs, \$738,000 in relation to staff costs, \$102,000 of operating costs and \$795,000 of property, plant and equipment costs. The Company received R&D income tax credits of \$1,905,000 from its 2022 tax return. Fees, salaries and superannuation contributions paid to Directors during the quarter amount to \$217,000 as disclosed at item 6.1 of the Appendix 4C.

<b>Use of funds</b>	<b>Estimate<sup>1</sup></b> (as per prospectus 17 Nov 2020)	<b>Actual</b> (From re-admission to 31 Dec 2022)	<b>Variance</b> Under / (Over)
<b>Type</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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--

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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.

## 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 2022

<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	27	32
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(102)	(226)
(c) advertising and marketing	(36)	(58)
(d) leased assets	-	-
(e) staff costs	(738)	(1,359)
(f) administration and corporate costs	(350)	(1,057)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	(58)	(166)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,905	1,905
1.8 Other (provide details if material)	3	3
<b>1.9 Net cash from / (used in) operating activities</b>	<b>655</b>	<b>(922)</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	(795)	(1,957)
(d) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
(e) intellectual property	-	-
(f) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	2	2
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other - Proceeds received on acquisition of Essential Queensland Pty Ltd</b>	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(793)</b>	<b>(1,955)</b>

<b>3. Cash flows from financing activities</b>		
<b>3.1 Proceeds from issues of equity securities (excluding convertible debt securities)</b>	-	5,100
<b>3.2 Proceeds from issue of convertible debt securities</b>	-	-
<b>3.3 Proceeds from exercise of options</b>	-	-
<b>3.4 Transaction costs related to issues of equity securities or convertible debt securities</b>	-	(361)
<b>3.5 Proceeds from borrowings</b>	-	113
<b>3.6 Repayment of borrowings</b>	(256)	(464)
<b>3.7 Transaction costs related to loans and borrowings</b>	-	-
<b>3.8 Dividends paid</b>	-	-
<b>3.9 Other (principal portion of finance leases)</b>	(49)	(100)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(305)</b>	<b>4,288</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</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	2,550	745
4.2	Net cash from / (used in) operating activities (item 1.9 above)	655	(922)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(793)	(1,955)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(305)	4,288
4.5	Effect of movement in exchange rates on cash held	(22)	(71)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,085</b>	<b>2,085</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,085	2,550
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,085</b>	<b>2,550</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	217
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*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.*

Includes Directors Fees, salaries and superannuation contributions.



7.	<b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
	<i>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.</i>		
7.1	Loan facilities	1,021	1,021
7.2	Credit standby arrangements	-	-
7.3	Other	-	-
7.4	<b>Total financing facilities</b>	1,021	1,021
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.		
	<p>7.1 – On 29 April 2021 the Company entered into a secured finance facility with Altor Capital. The total facility amount was \$2,000,000 on establishment with an interest rate of 11% per annum and term of 3 years with monthly principal and interest repayments. To 31 December 2022 the Company has repaid \$970,000 of principal.</p> <p>In addition to the Altor facility, the Company has short-term borrowing facilities on insurance premiums.</p>		

8.	<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)	655
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,085
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,085
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:	
	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:	

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:

*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.*

### 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 2023.....

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.