

ASX RELEASE

27 April 2023

## QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C FOR QUARTER ENDING 31 MARCH 2023

### Highlights:

- ✓ The Company received \$3.024 million via the issue of 252 million ordinary shares at \$0.012 from the placement of securities to Formosa Group Australia Pty Ltd ("FGA").
- ✓ Leaf welcomed the appointment of two new Directors to the Board, Mr Pai-Heng (Henry) Cheng and Dr Maurizio (Maurice) Fabiani.
- ✓ The new Board of Directors undertook a site visit in Rotorua, New Zealand and met with senior government officials, potential suppliers and key stakeholders.
- ✓ Offer received for the lease of the site in Rotorua, New Zealand wherein the Company is now in the process of working with the overseas investment office in negotiating a 30-year lease with two 30-year rights of renewal.
- ✓ Leaf welcomed senior representatives of Yasuhara Chemical Co. Ltd ("Yasuhara"), the Company's pine chemical offtake partner, for a site tour in Rotorua, New Zealand.

**Leaf Resources Limited** (ASX: LER, "Leaf" or the "Company"), a leading natural and renewable pine chemical and biomass pellet manufacturing company, is pleased to provide a summary of its activities for the quarter ending 31 March 2023 and attaches its Appendix 4C.

### CAPITAL RAISING AND BOARD CHANGES

Leaf has completed the settlement of the placement of securities to Formosa Group Australia Pty Ltd ("FGA") in the amount of \$3.024 million via the issue of 252 million ordinary shares at \$0.012, with attaching options at an exercise price of \$0.045 and an expiry date of 31 December 2025 ("Placement"). These investment funds have now been received by the Company.

Leaf has appointed two new Directors to the Board, namely, Mr Pai-Heng (Henry) Cheng and Dr Maurizio (Maurice) Fabiani. Mr Cheng and Dr Fabiani are working closely with the Company's Managing Director, Mr Ray Mountfort, to advance the development of Leaf's flagship project in New Zealand. In this regard, the company welcomed Mr Cheng and Dr Fabiani to Rotorua, New Zealand to undertake a site visit and meet with senior government officials, potential suppliers, and key stakeholders.

Managing Director Ray Mountfort commented: *"I am most pleased to welcome Mr Cheng and Dr Fabiani to the Board of Leaf. I am very excited at the opportunity to collaborate with them, and I look forward to working together to set the strategic direction of the Company as we enter this new phase to shape Leaf's future."*

*"I wish to express my gratitude to the outgoing Board members, Mr Ken Richards and Mr Doug Rathbone, for their service and commitment to the Company over the years, particularly during the recent challenging period."*



*Image: Visit by the Board of Directors to Rotorua, New Zealand*

## **CORPORATE UPDATE**

The company welcomed senior representatives of Yasuhara Chemical Co. Ltd ("Yasuhara"), the company's pine chemical offtake partner, for a site tour in Rotorua, New Zealand. Leaf continues to develop and strengthen its long-term relationship with Yasuhara as a key strategic partner.

## **ROTORUA PLANT CONSTRUCTION**

During this quarter the company received an offer for the lease of the Rotorua, New Zealand site and is now in the process of working with the overseas investment office on a 30-year lease with two 30-year rights of renewal, which is needed as Leaf is an Australian company investing in New Zealand. Commencement of site earthworks and other regulatory approvals were impacted by significant delays in finalising the lease contract as well as the devastation to the region caused by cyclone Gabrielle.

The construction of an integrated manufacturing plant to produce at least 300,000 tonnes per annum of wood pellets and 16,000 tonnes per annum of pine chemicals is currently being planned, which has been specifically designed to meet growing local and global demand as well as to achieve economies of scale.

## **NEW ZEALAND MARKET**

A key goal in New Zealand Government Forestry and Wood Processing Industry Transformation Plan ("NZGFWPITP") is for New Zealand to become a world leading producer and exporter of high-value wood-fibre products.

Leaf's current project represents a tailor-made and readily available solution for the NZGFWPITP by utilising the entire tree from renewable plantation forests to create additional value by first extracting high-value natural pine chemicals prior to the production of wood pellets.

Leaf's integrated manufacturing process provides a unique competitive edge and a long-term sustainable business model. Leaf has identified a potential opportunity to partner with the New Zealand Government and is currently developing a long-term strategic plan to support the government's 2050 net zero carbon emissions goals.

## Corporate

Cash at the end of the March Quarter: \$400,000

During the period the Company incurred expenditure of \$320,000 in relation to administrative and corporate costs, \$638,000 in relation to staff costs, \$295,000 of operating costs and \$161,000 of property, plant and equipment costs. Fees, salaries and superannuation contributions paid to related parties during the quarter amount to \$150,000 as disclosed at item 6.1 of the Appendix 4C.

For more information please contact:

### Leaf Resources Limited

#### Ray Mountfort

*Managing Director*

[Investors@leafresources.com.au](mailto:Investors@leafresources.com.au)

#### Peter Taylor

*Investor Relations*

[Peter@nwrcommunications.com.au](mailto: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 and biomass pellets. 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 March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	20	53
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(295)	(521)
(c) advertising and marketing	(37)	(96)
(d) leased assets	-	-
(e) staff costs	(638)	(1,998)
(f) administration and corporate costs	(320)	(1,376)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	4
1.5 Interest and other costs of finance paid	(51)	(219)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,905
1.8 Other (provide details if material)	-	3
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,321)</b>	<b>(2,245)</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	(161)	(2,119)
(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	120	123
	(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>(41)</b>	<b>(1,996)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	5,100
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(361)
3.5	Proceeds from borrowings	56	169
3.6	Repayment of borrowings	(229)	(690)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (principal portion of finance leases)	(144)	(244)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(317)</b>	<b>3,974</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<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	2,085	745
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,321)	(2,245)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(41)	(1,996)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(317)	3,974
4.5	Effect of movement in exchange rates on cash held	(6)	(78)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>400</b>	<b>400</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	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	400	2,085
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>400</b>	<b>2,085</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	150
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.

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	900	900
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	900	900
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. Up to 31 March 2023, the Company has repaid \$1,139,792 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)	(1,321)
8.2	Cash and cash equivalents at quarter end (item 4.6)	400
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	400
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	0.30
	<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: Yes.	
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: Yes. Company received capital totalling \$3,029,500 from investors during April 2023.	
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: Yes. With the capital injection received in April 2023; the Company will be working with its new board to procure funding for its project.	
	<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: 27 April 2023  
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Authorised by: By the Board  
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(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 – e.g. 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.