

31 January 2016
Australian Securities Exchange Announcement

December Quarter Update

Highlights:

- **Agreements signed with Malaysian Government agencies during the quarter brings Leaf significantly closer to achieving first commercial scale project development milestone**
- **Signs collaboration deal with US\$11 billion industrial enzyme producer Novozymes which further validates the Glycell™ process**
- **Company well-funded to meet ongoing costs of progressing its Malaysian and US development opportunities with cash balance bolstered by a \$2.5m placement post the end of the reporting period**
- **Board strengthened by the appointment of former Nufarm CEO Doug Rathbone as a Non-Executive director**

Leaf Resources (ASX: LER, "Leaf" or the "Company") is pleased to provide the following update on its activities for the three months ended 31 December 2016.

The Company has continued to make significant progress over the last quarter and now has a clear path toward commercial scale production of renewable chemicals using its Glycell™ technology. Details of the progress and achievements that the Company has made during the quarter are outlined in the sections below.

Highlights for the quarter

In October, Leaf signed agreements with two agencies of the Federal Government of Malaysia to advance the development of at least one commercial-scale, second-generation bio-chemical production facility in that country (ASX announcement, 25 October, 2016¹).

These agreements: a Memorandum of Understanding with Agensi Inovasi Malaysia and Letter of Facilitation and Collaboration with the Malaysian Bioeconomy Development Corporation have enabled the Company to progress the Malaysian development opportunity at a rapid rate.

Post the quarter end, Leaf has continued to make significant progress in Malaysia. This work has largely been led by Leaf's project development partner Claeris, LLC through its joint venture company Leaf Developments, LLC.

¹ <http://www.leafresources.com.au/UserFiles/files/Documents/2016.10.25-Leaf-signs-MOU-with-Malaysian-Government.pdf>

The Claeris team has recently completed a further round of negotiations with the Malaysian Government on behalf of Leaf Developments which included discussions around potential sites and government support for a bio-chemical facility.

During the quarter, Leaf also announced a collaboration agreement with the world's largest producer of industrial enzymes, US\$11 billion giant, Novozymes. Under the agreement, Novozymes will invest resources to develop a customised set of industrial enzymes that are specifically designed for the Glycell™ process. Industrial enzymes are biological solutions that improve the efficiency of industrial processes. This agreement represents another significant endorsement of Leaf's Glycell™ technology, this time by a world leader in biological solutions.

The Company also strengthened its board during the quarter with the appointment of Mr Doug Rathbone as a Non-Executive director in October.

Mr Rathbone served as the Chief Executive Officer and Managing Director of Nufarm Limited from 1999 to 2015 and previously as the Managing Director of Nufarm Australia Limited from 1982. During his tenure he transformed the Company from a \$20 million business to one with more than \$2 billion in annual sales. He is currently the Chairman of Rathbone Wine Group, a Director of Cotton Seed Distributors and AgBiTech and a former board member of the CSIRO.

Subsequent events

As a result of the progress that Leaf has made over the past six months, including agreements with its project development and collaboration partners, Leaf announced on 23 January, 2016 that the Company had raised approximately \$2.5 million in a share placement with settlement due on the 1st February 2017.

This placement was completed at \$0.145 which represented a 6% discount to the last closing price of \$0.155 per share (without consideration of the value of the option attached), prior to the shares being placed in a Trading Halt on the announcement of the raising on 19 January 2017.

Comments on cash flow

The Company's cash as at 31 December 2016 was \$574,000 and since then the company's cash position has been significantly bolstered by the subsequent \$2.5 million placement to sophisticated investors. This leaves the Company well-funded to continue the momentum that has been generated over the past six months as the Company rapidly moves toward its first commercial- scale project development.

Cash burn for the current quarter is expected to be slightly higher than normal as a result of the need to invest further resources in pursuing the development opportunities in Malaysia and the US.

Outlook

Leaf's development partner Claeris, LLC continues to work with Malaysian Government agencies as they progress negotiations on the potential development in that country. At the same time, the Company is making progress on the second project opportunity in the USA.

Leaf is also continuing to develop relationships with potential partners which have identified the unique potential that the Glycell™ technology presents in the advancement of a green chemical industry.

Leaf's Managing Director, Ken Richards, commented: "During the December quarter we were able to build on the success of our landmark deal with Claeris, LLC by adding Novozymes and the Malaysian Government to our growing coalition of world-class partners.

"The Company is making rapid progress towards the development of our first commercial-scale project and looks forward to providing further updates in the near to medium term."

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About Leaf Resources Ltd (ASX: LER)

Leaf Resources is commercialising its proprietary Glycell™ process, which enables the production of renewable chemicals and bio plastics from plant biomass to economically replace petroleum based chemicals.

The Glycell™ process uses a biodegradable, waste reagent, glycerol, in a simple process to break down plant biomass into lignin, cellulose and hemicellulose at low temperature and pressure. The cellulose is then converted to cellulosic sugars through enzymatic hydrolysis and the lignin, hemicellulose and glycerol become valuable co-products.

Cellulosic sugars are a major feedstock for the production of green, renewable biobased chemicals and bioplastics, products whose markets are multi billion dollars in value and growing fast.

The Glycell™ process can produce cellulosic sugars at under \$50 per tonne when co-products are included. This compares with over \$200 per tonne for raw sugars or sugars produced from either the conversion of corn starch or produced from biomass by rival processes.

By dramatically reducing the major cost of the main feedstock for the production of renewable chemicals, and bio-plastics, the Glycell™ process has the potential to change the face of global renewable production.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

LEAF RESOURCES LIMITED

ABN

18 074 969 056

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	33
1.2 Payments for		
(a) research and development	(291)	(382)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(286)	(498)
(f) administration and corporate costs	(550)	(887)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	512	512
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(614)	(1,220)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(25)	(25)
(b) businesses (see item 10)	-	-
(c) investments	(1,331)	(1,668)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,356)	(1,693)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	2,255	2,386
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	120	200
3.4	Transaction costs related to issues of shares, convertible notes or options	(134)	(145)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	2,241	2,441

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	303	1046
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(614)	(1,220)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,356)	(1,693)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,241	2,441

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	574	574

5.	Reconciliation of cash and cash equivalents 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	574	303
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	574	303

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

Current quarter
\$A'000

132

-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Payments to Directors consist of directors' salaries, fees and consulting fees for the quarter, including superannuation. This excludes any amounts that were unpaid as at the end of the quarter.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter
\$A'000

-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
N/A		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	626
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	318
9.6 Administration and corporate costs	416
9.7 Other (provide details if material) Includes brokerage on capital raising proceeds \$150,000) and patent fees (\$194,000)	344
9.8 Total estimated cash outflows	1,704

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

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.

Sign here: 
(Company secretary)

Date: 31 January 2017

Print name: Helen Pennisi

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.