

31 October 2016  
Australian Securities Exchange Announcement

## September Quarter Update

### Highlights:

- **Game changing period for Leaf as it signs JV agreement with leading US-based chemical project developer Claeris, LLC.**
- **Company well-funded to achieve next set of commercial milestones as its cash holding is bolstered by the successful completion of a \$2.35m capital raise.**
- **Significant milestones achieved post September quarter with strong pipeline of potential announcements in the near term.**

**Leaf Resources** (ASX: LER, "Leaf" or the "Company") is pleased to provide the following update on its activities for the three months ended 30<sup>th</sup> September 2016.

The Company reached an inflection point in the commercialisation of its proprietary Glycell™ technology in the past few months. Details on the progress and milestones the Company achieved during the period are outlined in the sections below.

### Highlights for the quarter

In July, Leaf signed a binding agreement with US-based project developer Claeris, LLC (Claeris) to develop up to five renewable chemical projects that utilise Leaf's Glycell™ process.

Under the agreement, the two companies have established a Joint Venture (JV) entity called Leaf Development, LLC, and Claeris invested US\$500,00 in Leaf Resources through a share placement.

Claeris has a proven track record of developing successful, large scale renewable projects and its managing partners have collectively over 80 years of development, capital markets, and operational expertise at the highest level in corporate USA.

Post the September quarter, the parties have made substantial progress on the development of the Company's first commercial-scale international project. Further details are outlined below.

### Comments on cash flow

The Company held a cash position of \$302,973 at the end of September but the cash balance has been significantly bolstered by the \$2.35 million placement to sophisticated investors that was announced today.

In addition, Leaf received \$512,479 after 30<sup>th</sup> September in respect to its entitlement under the Research and Development Tax Incentive Program for the 2016 financial year. The Company also has an application for an Advance / Overseas Finding under review with AusIndustry and if approved, it is expected that a further \$79,000 will be received under the program. The Company is also entitled to receive the maximum grant amount under the Export Market Development Grant (EMDG) Scheme for 2015/2016. Based on payment factors applied in the previous year, we expect to receive a grant of \$120,000.

### **Subsequent events and outlook**

On the 25<sup>th</sup> of October, the Company announced that it has signed a Memorandum of Understanding (MoU) with two Malaysian Government agencies to develop at least one production facility in that country.

The announcement marks a significant milestone for Leaf because it lays the groundwork for the Company to develop the first commercial-scale bio-chemical production facility that incorporates the Glycell™ process.

Further updates on the progress of this project is expected in the near term.

Another significant development for the Company is the appointment of Mr. Doug Rathbone as a non-executive director of Leaf in October. Mr. Rathbone brings a wealth of business experience to Leaf, most notably as the former managing director at Nufarm Limited (ASX: NUF), which he transformed from a small agrichemical company to a global leading crop protection and seed company with more than \$2 billion in annual sales.

Leaf's Managing Director, Ken Richards, commented: "The September quarter marked the beginning of a new era for our Company with the signing of the joint venture with Claeris. Since announcing the JV in July, we have made significant progress towards the development of our first commercial scale international project.

"The contribution of Claeris has been a key part in getting to this stage. Their local knowledge and contacts have been critical in moving this project forward at such a rapid rate, and their skills will continue to be extremely useful as the project progresses.

"We expect to announce further progress on our project development efforts in the coming months and look forward to providing investors with updates as they are achieved."

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## **About Leaf Resources Ltd (ASX: LER)**

Leaf Resources is commercialising the Glycell™ process.

The Glycell™ Process is an innovative technology that uses a low cost, recyclable, biodegradable reagent glycerol, in a simple process that breaks 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 green, renewable biobased chemicals, bioplastics and biofuels, products whose markets are multi billion dollars in value and fast growing. Many biobased products can now economically replace petroleum based products.

The Glycell™ process can produce cellulosic sugars at under \$50 per tonne when co-products are included. This compares with \$220 per tonne for sugars produced from the conversion of corn starch, the cheapest alternative and \$280 per tonne for raw sugar.

By dramatically reducing the cost of the main feedstock for bio based chemicals, plastics and biofuels, 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")**

30 September 2016

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	33	33
1.2 Payments for		
(a) research and development	(91)	(91)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(212)	(212)
(f) administration and corporate costs	(337)	(337)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(606)</b>	<b>(606)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	(337)	(337)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(337)</b>	<b>(337)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	131	131
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	80	80
3.4	Transaction costs related to issues of shares, convertible notes or options	(11)	(11)
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>200</b>	<b>200</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 quarter/year to date	1046	1046
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(606)	(606)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(337)	(337)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	200	200

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>303</b>	<b>303</b>

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	303	303
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>303</b>	<b>303</b>

**6. Payments to directors of the entity and their associates**

	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	107
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-

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**

	Current quarter \$A'000
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

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8. <b>Financing facilities available</b> <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. <b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	594
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	299
9.6 Administration and corporate costs	526
9.7 Other (provide details if material)	1,268
<b>Commitment under agreement with Claeris Inc. refer ASX announcement 20 July 2016</b>	
<b>9.8 Total estimated cash outflows</b>	<b>2,687</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
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:

  
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(Director/Company secretary)

Date: 31 October 2016

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.