

20 July 2016
Australian Securities Exchange Announcement

Joint venture to develop five projects with world-class project developer Claeris, LLC

Highlights

- Leaf Resources Ltd enters into binding agreements with Claeris, LLC of Dallas, Texas USA to establish a joint venture entity, Leaf Development, LLC
- Leaf Development, LLC was formed to develop up to five renewable chemical projects utilising Leaf Resources' proprietary Glycell™ process
- Claeris has a proven track record of developing large-scale, financially successful renewable projects
- Claeris will invest USD\$500,000 in Leaf Resources
- The Directors of Leaf Resources believe that the agreement with Claeris will:
 - Lower transaction execution risk given Claeris' strong track record of sourcing funding, and building large-scale commercial renewable projects;
 - Accelerate the speed of project development;
 - Facilitate more favourable commercial terms for projects;
 - Increase the field of opportunity for the deployment of Leaf Resources' technology.

Leaf Resources Ltd (ASX: LER, "Leaf" or "Leaf Resources") is pleased to announce the signing of binding legal agreements with US-based project developer Claeris, LLC ("Claeris"), to establish a joint venture (JV) entity, Leaf Development, LLC ("Leaf Development"), for the purpose of developing up to five renewable chemical projects that utilise Leaf Resources' proprietary Glycell™ process.

Claeris has a proven track record of developing successful, large-scale renewable projects, and believes that both the investment community and chemical industry are keen to participate in well-structured, well-credentialed renewable chemical projects.

The Managing Partners of Claeris have collectively over 80 years of development, capital markets, and operational expertise at the highest level in corporate USA, with a demonstrated track record of successful project and corporate developments.

Claeris' professional and investment networks, development skills, and transactional experience, combined with the Leaf Resources' innovative Glycell™ process, provides Leaf Development with the tools necessary to deliver high quality, financially attractive renewable chemical projects.

Michael Slaney, Managing Partner of Claeris, commented: "We have reviewed many emerging technologies in the renewable chemical sector, but we have not seen anything quite as revolutionary and potentially profitable as Leaf's Glycell™ process. After a detailed technical and financial review of the Glycell™ technology, we are convinced that Leaf has the best process on which to base a platform company of renewable chemical projects. We are confident that we can secure the key project partners necessary to quickly develop our first project."

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Benefits of the arrangement with Claeris

Leaf Resources' decision to establish the joint venture has been driven by four key considerations.

- 1) Risk mitigation:** It is difficult for an Australian company the size of Leaf Resources to secure global-scale projects with large US partners on its own. Working with an established industry participant like Claeris provides added credibility to Leaf's technology and assists the Company through the complex process of sourcing, partnering, financing, and developing renewable chemical projects.
- 2) Speed:** By working with Claeris, Leaf Resources anticipates a more expeditious development of projects and partnerships. As part of its due diligence Claeris is encouraged by the positive responses it has received from high level, preliminary discussions with potential project participants.
- 3) Better commercial outcomes:** Leaf Resources believes it will be able to achieve superior financial results by leveraging Claeris' industry reputation and its expertise in developing commercially viable, well-executed renewable production facilities.
- 4) Field of opportunity:** The joint venture arrangement with Claeris provides significant additional opportunities for the deployment of the Glycell™ process across a variety of biomass sources in a number of jurisdictions. In particular, Claeris has identified development opportunities using empty fruit bunches in Asia and hard woods in the US and will actively pursue these development projects.

"We believe our arrangement with Claeris has put Leaf Resources firmly on its next phase of growth, as it will accelerate the commercialisation of the many opportunities available to us in the renewable chemical markets," said Leaf Resources' Managing Director Ken Richards. "We expect leveraging Claeris' experience, network, and expertise will position us to achieve better and quicker economic outcomes for Leaf. I would also like to welcome Claeris as shareholders in our company. Their considerable experience will be a valuable asset to the Leaf team."

Operations of the Joint Venture

Claeris and Leaf share the view that a Develop, License, and Own model ("DLO model") is the optimal model for the deployment of technology in the renewable chemicals industry. The DLO model to be employed by Leaf Development results in the sharing of all development and license related revenues, as well as founders' equity in each of the operating projects.

Claeris will be engaged to manage Leaf Development on a day-to-day basis and carry the responsibility for all aspects of project development, including:

- Project site sourcing
- Feedstock supply arrangements
- Product offtake arrangements
- Regulatory permitting
- Engineering, procurement, and construction tenders and award
- Project capital/funding
- Overall project and delivery management

Leaf Resources will provide a license for its Glycell™ process for the five projects and technical expertise as required. The agreements, which are subject to performance hurdles for both Claeris and Leaf Resources, allow for Leaf Resources to own up to 75% of Leaf Development.

Leaf Resources' previously announced joint ventures and MOUs with Monaghan Mushrooms, ZeaChem, and projects related to rice husks are excluded from the Claeris arrangement. Leaf Resources will continue to develop these pre-existing partnerships.

Funding

Leaf Resources will provide ongoing funding for Leaf Development in return for increased equity ownership. Initial funding of USD\$750,000 will be met from Leaf Resources' internal sources. On the basis that Leaf Developments meet specified project milestones a further US\$1m may be due on October 31st 2016. These funds will be used by Leaf Development for permitting, engineering, management, consulting fees, and other costs relating to the development of commercial-scale projects.

Further capital contributions from Leaf Resources will fund costs principally associated with engineering design and feasibility studies and will be required as projects are successfully identified and advanced.

Each project will be externally financed as a standalone operation. Leaf Development expects to recoup the funded development costs, as projects are brought to construction.

Claeris will invest USD \$500,000 in Leaf Resources at an issue price of AUD\$0.125 per share and will also be issued approximately 1,560,000 options in Leaf Resources at an exercise price of \$0.1375. The options have a five-year term, with one-third vesting each year after issue.

While the scale of the first facility is not yet finalised, the parties believe a facility with a feedstock capacity of 100,000 bone dry tonnes per annum makes economic and technical sense.

Summary

In summary, Leaf Resources has outsourced new project development to Claeris, a well-connected, well-credentialed, successful project developer who has also taken an equity interest in Leaf Resources. The transaction structure (i) incentivises Claeris to develop a financially attractive platform company of renewable chemical production facilities and (ii) provides Leaf Resources with a quicker, more profitable and secure path to commercialization.

Furthermore, the capital required to support Leaf Development is broadly consistent with what Leaf itself would need to complete the required engineering packages and feasibility studies prior to a license transaction, with the added benefit of having support from an experienced project developer.

The Board of Leaf Resources strongly believes that this transaction provides the right path forward for the company.

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About Claeris, LLC

Over the last decade Claeris has:

- Developed and sold ASAlliances Biofuels, LLC, the world's largest ethanol development project, for US\$725m, generating an equity return of 410% in 18 months;
- Formed Gevo Development, LLC to commercialise Gevo's proprietary isobutanol technology, the success of which helped Gevo float on NASDAQ with an initial market capitalization of \$400m – generating an equity return of 460% return in 17 months;
- Formed Claeris Development, LP to develop and operate facilities for the production of ultra clean base oils, chemicals, and fuels from natural gas and other carbon-based feedstocks;
- Formed Solusyn Development, LLC with Emerging Fuels Technology, Inc. to develop, construct, and operate a series of natural gas/ethane to specialty products (base oils, drilling fluids, and solvents) facilities. Construction on the first facility is expected to start in 2018.

For more information about Claeris and its development history and track record go to www.claeris.com.

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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 \$billions 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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