# Leaf Clean Energy Company

## Interim Report

For the half year ended 31 December 2016

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# Management and administration

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Mark Lerdal (executive chairman)
Stephen Coe (non-executive director)
Peter O'Keefe (non-executive director)

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# Biographies of the directors

Mark David Lerdal (executive chairman)

Mark David Lerdal was appointed as chairman of Leaf Clean Energy Company in April 2014. He was also managing director of MP2 Capital, LLC from 2009 to 2015. From September of 2011 to February of 2013, Mr. Lerdal served as president of Hydrogen Energy California, a developer of a carbon capture and sequestration facility. Prior to that time, Mr. Lerdal was a managing director at KKR Finance in its debt securities division. He has been active in the renewable energy business for 30 years as an investor, operating executive and attorney. Mr. Lerdal also serves as a non-executive board member at Trading Emissions, Terraform Global and Onsite Energy Corporation.

Stephen Charles Coe (non-executive director, chairman of audit committee)

Stephen is currently chairman of European Real Estate Investment Trust Limited and TOC Property Backed Lending Trust plc. He is also director (and chairman of the audit committee) of Raven Russia Limited, Leaf Clean Energy Company, Weiss Korean Opportunities Fund Limited and Trinity Capital PLC.

He has been involved with offshore investment funds and managers since 1990 with significant exposure to property, debt, emerging markets and private equity investments.

He qualified as a Chartered Accountant with Price Waterhouse Bristol in 1990 and remained in audit practice, specialising in financial services, until 1997. From 1997 to 2003 he was a director of the Bachmann Group of fiduciary companies and Managing Director of Bachmann Fund Administration Limited, a specialist third party fund administration company. From 2003 to 2006 Stephen was a director with Investec in Guernsey and managing director of Investec Trust (Guernsey) Limited and Investec Administration Services Limited. He became self-employed in August 2006 providing services to financial services clients.

Peter O'Keefe (non-executive director)

Peter O'Keefe is a professional in the financial services industry, an advisor to both privately owned & publicly traded companies and an advisor to one of our nation's leading cyber-security consulting companies. He is a recognized national political operative who served as a liaison to the business community in the Clinton White House.

Peter is a director on the board of regulatory compliance services company, Regscan Inc. Previously he worked at Carret Asset Management, a privately-owned investment advisory firm, where he was a registered professional with the National Association of Securities Dealers holding both series 7 and 63 licenses. Peter serves as a member of Leaf Clean Energy Company's audit and remuneration committees.'

# Chairman's statement

**Dear Shareholder:**

Leaf Clean Energy Company's (the "Company" or "Leaf") current net asset value ("NAV") on 31 December 2016 was $91.8 million, $14.6 million lower than on 30 June 2016. This change resulted from the comprehensive loss for the period, which consisted primarily of a $13.5 million loss on revaluation in the carrying value of the portfolio companies, $1.0 million of administration expenses, and $0.6 million in transaction related costs, primarily associated with the litigation against Invenergy, offset in part by a $1.3 million adjustment to the incentive plans provision. At the end of the period, $4.0 million of Leaf's NAV was held in cash and $102.2 million in investments. NAV per share for the Leaf Group was 77.65 cents or 62.97 pence at the period-end exchange rate of $1.23/£.

As I noted in my previous two Chairman's Statements, the primary source of returns to shareholders will be derived from Leaf's investment in Invenergy Wind LLC, ("Invenergy"). As previously reported, Leaf brought an action against Invenergy in the Delaware Court of Chancery (the "Court") for breach of contract. In June of 2016, the Court ruled that Invenergy had breached the Third Amended and Restated Limited Liability Company Agreement governing the membership interests in Invenergy (the "Operating Agreement"). The Court's ruling did not determine the amount of damages to which Leaf is entitled. Leaf believes the damages, pursuant to a formula contained in the Operating Agreement, were $126.1 million on December 15, 2015, the date of the breach. Leaf believes such damages should be reduced by the $3.9 million previously reported tax distribution from Invenergy. Leaf also believes that, if it prevails in the litigation, it will be entitled to interest on the judgment at the Delaware statutory rate of interest of 6%, compounded quarterly, from the date of the breach. Invenergy disputes that Leaf is entitled to the damages Leaf is seeking and believes that Leaf is entitled, at most, to nominal damages. The Court has scheduled a trial in September 2017 to determine the amount of Leaf's damages.

Invenergy has asserted that any obligation it owes to Leaf was excused because of the put/call process described in my previous statements. Invenergy called Leaf's interest in Invenergy on December 28, 2015. On the same day Leaf put its interest to Invenergy. Each party appointed a third-party appraiser to value Leaf's stake in Invenergy. The results were $73.1 million (from the appraiser appointed by Leaf) and $36.4 million (from the appraiser appointed by Invenergy). A third appraiser has been retained jointly by Leaf and Invenergy to value Leaf's interest in Invenergy. The third appraisal is expected to be completed in April 2017. Pursuant to the Operating Agreement, when that appraisal is complete, the average of the three appraisals should determine the price for Leaf's interest in Invenergy for the purposes of the put/call process. In a ruling on October 7, 2016, the Court determined that the put/call process did not excuse the above described litigation because the breach occurred prior to the exercise of either the put or the call. In another ruling, on October 10, 2016, the Court allowed Invenergy to amend its pleadings to assert a counterclaim against Leaf for allegedly causing Leaf's appraiser to provide a biased and inaccurate appraisal.

Because of the inherent risks associated with litigation, and collection if Leaf prevails, together with income taxes and transaction expenses associated with the judgement, the board of directors has valued the investment in Invenergy at $99.1 million as at December 31, 2016, and this is the value reflected in the Company's NAV of $91.8 million.

The $13.5 million loss on the revaluation of the carrying values of the portfolio companies is primarily due to the write down of the value of VREC and Lehigh, both defined below. In February 2017, VREC entered into a non-binding term sheet for a merger with a Brazilian agricultural firm. The terms of the proposed merger imply a sharply reduced valuation for Leaf's interest. Lehigh is currently completing an equity fundraise, in which Leaf participated for $250,000, which, by its terms, reduces the value of Leaf's previous equity investments in Lehigh. The Leaf Board has valued the investments in VREC and Lehigh based upon the value implied by the transactions currently contemplated by the two organizations.

**Description of projects**

**Invenergy Wind LLC** ("Invenergy"). Invenergy develops, owns, and operates wind power generation facilities and storage solutions in North America and Europe. 2016 was an active year for Invenergy including commissioning a number of projects with aggregate capacity of approximately 750 megawatts. Additionally, Invenergy continued its select asset monetization program having sold two projects representing 533 megawatts of generation capacity to Southern Power in transactions that closed in October 2016 and January 2017.

**Vital Renewable Energy Company** ("VREC"), the owner of a sugar-cane-based facility in Brazil which produces ethanol and refined sugar, experienced production levels during the 2016/2017 crushing season that were below expectations. On a positive note, commodity prices for the company's primary products continued to strengthen which helped partially offset the negative impact of lower than expected production. Leaf is currently exploring options to monetize this investment.

# Chairman's statement (continued)

**Lehigh Technologies, Inc.** ("Lehigh"), the green materials company, continued its execution efforts across core growth initiatives despite continued weakness in commodity prices. The company announced the formation of a joint venture with HERA Holding, a waste to resources company, to construct and operate the first Micronized Rubber Powder (MRP) production facility in Europe. This facility is expected to enhance Lehigh's footprint by allowing the company to serve the broader European market as well as the Middle East, Africa and Russian markets. Leaf is currently exploring options to monetize this investment.

**Energía Escalona** ("Escalona"), the hydroelectric project development company based in Mexico City, has been able to achieve certain development milestones including the execution of a long-term power purchase agreement from a private off-taker for a certain portion of the project's production output. While the recent development progress is positive, Escalona will still need to finalize certain other critical project milestones as well as arrange debt and project equity financing prior to being able to commence construction.

**Continued operations**

The Board of Leaf is actively exploring its options to realise the value of VREC, Lehigh and Escalona. We have valued the three investments at our expectation of return in the near future. As to the Invenergy litigation, even if Leaf prevails at the Court of Chancery, Invenergy can appeal to the Delaware Supreme Court which might delay paying any award. Leaf possesses the financial resources and the support of its major shareholders to pursue the litigation to its conclusion.

Mark Lerdal
Chairman

*30 March 2017*

# Management report

**Overview**

During the six months ended 31 December 2016, Leaf's management continued its work implementing Leaf's orderly realisation strategy (see Strategy below). Throughout the period, the management team remained focused on portfolio management and orderly realisation activities, with due attention to maximizing realisation value.

These activities consisted of working with Leaf's legal counsel in pursuing the breach of contract claim filed by Leaf against its investee, Invenergy, and supporting the put/call appraisal process with Invenergy, while also monitoring Leaf's remaining investments with a view towards future realisation events for these holdings.

Leaf's portfolio consists of four remaining investments: Invenergy, VREC, Lehigh, and Escalona. Leaf is a minority holder in all of these investments with the exception of Escalona.

**Strategy**

The Leaf Group's investment strategy is an orderly realisation and return of capital to the shareholders, which will occur on an asset-by-asset basis in timeframes appropriate for each asset. The Leaf Board at its discretion will balance the goal of returning capital expediently to investors with the goal of maximising the realisation value of the investments.

Leaf's remaining holdings are all in the equity of unlisted companies. Therefore, realisations of these investments require the cooperation of the investee companies and of other investors as well as Leaf. In addition, the individual circumstances and market conditions surrounding each investment must be taken into account, affecting the timescale before which a particular investment can be realised. This means that some investments may be considered appropriate for sale in the short term, while others may be held for a longer period.

Leaf will not invest in any new portfolio companies, but may make additional investments in existing portfolio companies where required to preserve or enhance the realisation value of these investments.

**Financial highlights**

Below is a summary of financial highlights across the Leaf portfolio during the six-month period ended 31 December 2016:

*Invenergy-related highlights*

- On 18 July 2016, as part of its complaint against Invenergy in the Delaware Court of Chancery (the "Court"), Leaf filed a motion for entry of an order and final judgment, asking the Court to order Invenergy to pay damages of $126.1 million, based on the calculation of the Target Multiple per the terms of the Operating Agreement, less the $3.9 million previously reported tax distribution from Invenergy, plus interest on the net $122.2 million in damages at the Delaware statutory rate of interest of 6%, compounded quarterly, from the date of the breach.

- On 12 August 2016, Invenergy filed an answering brief to Leaf's motion, disputing that Leaf is entitled to the damages Leaf is seeking and arguing that Leaf is entitled, at most, to nominal damages. Invenergy also asserted that any obligation it owes to Leaf is excused because of the put/call process described in the interim statements. On this same date, Invenergy also filed a motion to amend its original answer to the lawsuit to add five additional affirmative defences and two counterclaims.

- On 6 October 2016, the Court heard oral arguments by the parties on the Leaf and Invenergy motions.

- In two orders on 7 and 10 October 2016 which can be downloaded and viewed in their entirety at the following URL: http://www.leafcleanenergy.com/media-relations/download-centre/, the Court denied Leaf's and Invenergy's motions, apart from allowing one of Invenergy's counterclaims.

    - The Court allowed Invenergy to assert a counterclaim against Leaf alleging that Leaf acted in bad faith by causing its appraiser in the put/call to provide a biased and inaccurate appraisal. Leaf believes this counterclaim to be without merit.

    - The Court made additional rulings, including: 1) finding that Leaf's claims are not excused as a result of Leaf exercising the put, 2) that an exchange of mutual releases required in the put/call will not moot the lawsuit, and 3) that Leaf's right to a remedy for Invenergy's breach is not barred because Leaf did not seek injunctive relief to block the closing of the TerraForm Transaction.

# Management report (continued)

- Please refer to Note 19 to the financial statements for more background and information regarding the Invenergy lawsuit and put/call process.

*Other highlights*

- On 13 July 2016, Leaf agreed to a final settlement with the purchaser of JRE/Leaf LFG of the outstanding indemnity escrow for the sale, including a mutual release of liabilities. Leaf received $48 thousand from the escrow.

After the end of the period, on 2 March 2017, Leaf made an additional investment of $250 thousand in the preferred equity of Lehigh.

**Financial performance**

The Leaf Group's total net asset value (NAV) on 31 December 2016 was $91.8 million, $14.6 million lower than on 30 June 2016. This change resulted from the $14.6 million comprehensive loss for the period, which in turn consisted primarily of a $13.5 million loss on revaluation in the carrying value of the portfolio companies, $1.0 million of administration expenses, and $0.6 million of transaction related costs, partially offset by a $1.3 million benefit from a reduction in the provision for incentive plans expense. At the end of the period, $4.0 million of Leaf's NAV was held in cash and $102.2 million in investments.

NAV per share for the Leaf Group was 77.65 cents or 62.97 pence at $1.2332 to the £1. This was a decrease of 13.7 per cent for the six-month period from 30 June 2016. The decrease was entirely due to the comprehensive loss for the period. Due to the precipitous decline in the value of the GBP relative to the US dollar resulting from the Brexit vote, NAV per share in pence declined by a significantly lower 7.2%, as the remarkable 7.5% increase in the £/$ exchange rate over the six-month period resulted in an offsetting 6.5% benefit on translation of Leaf's mostly US dollar based NAV into GBP.

Leaf's administrative expenses for the six-month period ended 31 December 2016 were $293 thousand lower than the comparable prior period, having adhered to the previously announced $1.9 million budget for the current fiscal year. Leaf is currently on track to meet this budget for the full year. Note that, due to uncertain timing and amounts the budget did not include transaction-related costs or payments under the Company's incentive plans. Leaf has not accrued anything for future transaction costs. Leaf has made a $2.1 million provision for future pay outs from the Company's incentive plans.

During the period, Leaf's board and management took steps to simplify the Leaf Groups structure, including by eliminating the investment advisory subsidiary, Leaf Clean Energy USA, LLC, thereby further reducing administrative costs and complexity.

**Portfolio update**

Key updates regarding Leaf's portfolio companies during the interim report period included the following:

- Invenergy Wind LLC (Invenergy), North America's largest independently owned wind power generation company, commenced commercial operations at its Gunsight, Wake Wind, Bethel and Roncevaux wind energy projects. Additionally, Invenergy completed project financings for several wind energy projects including Campo Palomas and Roncevaux.

  On the strategic front, Invenergy continues to execute on select M&A and growth initiatives. On 28 October 2016, Invenergy consummated the sale of a controlling interest in its Wake Wind project to Southern Power in a transaction valued at $469 million.

- Lehigh Technologies, Inc. (Lehigh), the green materials company, announced the formation of a joint venture with HERA Holding, a waste to resources company, to construct and operate the first Micronized Rubber Powder (MRP) production facility in Europe. The company expects to complete this facility in 2017. Lehigh continued its focus across several fronts including geographic expansion and new market development as well as product line expansion.

  While having achieved a good level of progress across its technical pursuits, Lehigh's overall growth for 2016 was modest due to the prevailing levels of lower commodity prices. Lehigh remains positioned for growth in 2017 driven by sales growth in Europe.

- Vital Renewable Energy Company (VREC), a renewable energy company focused on the development of sugar-cane-based ethanol facilities and electricity generation in Brazil, performed slightly below expectations during the 2016/2017 crushing season. Production at the company's BSA facility was negatively impacted by unanticipated severe drought conditions which resulted in lower sugarcane production levels. Despite the lower production volumes, prices for both ethanol and sugar strengthened during the 2016/2017 crushing season. VREC managed to achieve some progress in its agricultural and industrial growth initiatives during the 2016/2017 crushing season although the tough credit market environment and tight credit availability in Brazil significantly hindered such initiatives.

  Macro-economic conditions in Brazil have exhibited some improvement with declines in the rate of inflation, abatement of political uncertainty and strengthening of the Brazilian real. Additionally, market conditions in the Brazilian sugar and ethanol sector continue to be well positioned to support a continuation of the recent rally, particularly with regard to sugar prices, for the upcoming crushing season.

- Energía Escalona (Escalona), the hydroelectric project development company based in Mexico City, continued development of its flagship hydroelectric development project. The project was able to secure a long-term power purchase agreement from a private off-taker for a certain portion of the project's production output. Additionally, Escalona was able to conclude an interconnection agreement, a critical milestone, with the Comisión Federal de Electricidad (CFE) which enabled the project to be "grandfathered" such that it maintains the benefits of the old Electric Power Public Utility Law in Mexico including lower wheeling costs. Despite the aforementioned progress, Escalona will still have to overcome certain hurdles and close project equity and debt financing in order to commence construction. Leaf continues to review its strategic options for this asset.

In the coming months, the Leaf board and management will continue to focus on achieving expedient realisations of the assets to enable additional future distributions to the shareholders, with careful attention paid to the appropriate timing required for each investment to maximise realisation value. While this timing is uncertain for the realisation of a given investment, it may take up to an additional two years to realise the remaining investments. As a result, the Leaf Board and management have maintained and will continue to maintain an appropriate cash balance to ensure that Leaf can continue to execute Leaf's strategy.

*30 March 2017*

# Condensed consolidated statement of comprehensive income for the six months ended 31 December 2016

| | Note | (Unaudited) 6 months ended 31 December 2016 $'000 | (Unaudited) 6 months ended 31 December 2015 $'000 |
|---|---|---|---|
| Interest income on cash balances | | - | - |
| Interest income on investments at fair value through profit or loss | | - | - |
| Net gain/(loss) on investments at fair value through profit or loss | 12.1 | (13,456) | 1,968 |
| Net foreign exchange loss | | (254) | (195) |
| **Gross portfolio return/(loss)** | | **(13,710)** | **1,773** |
| Administration expenses | 6 | (976) | (1,269) |
| Transaction-related costs | 7 | (619) | (491) |
| Provision for doubtful intercompany receivable | | (382) | - |
| Reversal of incentive plans provision | 8 | 1,280 | 498 |
| **Profit/(loss) before taxation** | | **(14,407)** | **511** |
| Taxation expense | 18 | (164) | (1,974) |
| **Total loss and total comprehensive loss for the period** | | **(14,571)** | **(1,463)** |
| Loss for the period attributable to equity holders | | **(14,571)** | **(1,463)** |
| **Basic and diluted loss per share (cents)** | 10 | **(12.33)** | **(1.18)** |

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

# Condensed consolidated statement of financial position as at 31 December 2016

| | Note | (Unaudited)<br>31 December 2016<br>$'000 | (Audited)<br>30 June 2016<br>$'000 |
|---|---|---|---|
| **Assets** | | | |
| Investments at fair value through profit or loss | 12.1 | 102,200 | 115,700 |
| Deferred tax assets | 18 | 9,339 | 9,339 |
| Property, plant and equipment | | 1 | 2 |
| **Total non-current assets** | | **111,540** | **125,041** |
| Trade and other receivables | 14 | 79 | 510 |
| Restricted cash | | - | 30 |
| Cash and cash equivalents | | 3,982 | 5,947 |
| **Total current assets** | | **4,061** | **6,487** |
| **Total assets** | | **115,601** | **131,528** |
| **Equity** | | | |
| Share capital | 17 | 27 | 27 |
| Share premium | 17 | 297,046 | 297,046 |
| Retained losses | | (205,317) | (190,746) |
| **Total equity** | | **91,756** | **106,327** |
| **Liabilities** | | | |
| Deferred tax liabilities | 18 | 21,270 | 21,107 |
| Provision for future incentive plans payouts | 8 | 2,120 | 3,400 |
| **Total non-current liabilities** | | **23,390** | **24,507** |
| Trade and other payables | 15 | 455 | 694 |
| **Total current liabilities** | | **455** | **694** |
| **Total liabilities** | | **23,845** | **25,201** |
| **Total equity and liabilities** | | **115,601** | **131,528** |
| Net asset value per share (cents) | | 77.65 | 89.98 |

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

The interim condensed consolidated financial statements were approved by the board of directors on 30 March 2017 and signed on their behalf by:

Mark Lerdal
Executive Chairman

Stephen Coe
Non-Executive Director

# Condensed consolidated statement of changes in equity
# for the six months ended 31 December 2016

| | Share Capital | Share Premium | Retained losses | Total equity |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Balance at 30 June 2016 (audited) | 27 | 297,046 | (190,746) | 106,327 |
| Redemption to shareholders | - | - | - | - |
| Total comprehensive loss for the period | - | - | (14,571) | (14,571) |
| **Balance at 31 December 2016 (unaudited)** | **27** | **297,046** | **(205,317)** | **91,756** |

| | Share Capital | Share Premium | Retained losses | Total equity |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Balance at 30 June 2015 (audited) | 28 | 306,809 | (186,571) | 120,266 |
| Redemption to shareholders | (1) | (9,763) | - | (9,764) |
| Total comprehensive loss for the period | - | - | (1,463) | (1,463) |
| **Balance at 31 December 2015 (unaudited)** | **27** | **297,046** | **(188,034)** | **109,039** |

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

# Condensed consolidated statement of cash flows
# for the six months ended 31 December 2016

| | Note | (Unaudited) 6 months ended 31 December 2016 $'000 | (Unaudited) 6 months ended 31 December 2015 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Income tax refund | | - | 30 |
| Reimbursements from investee companies | | - | 152 |
| Transaction-related expenditures | | (763) | (332) |
| Operating expenditures | | (1,021) | (1,463) |
| Income tax paid | | - | (242) |
| **Net cash used in operating activities** | | **(1,784)** | **(1,855)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of financial assets at fair value through profit or loss | 12.1 | - | (366) |
| Repayment of capital by investee companies | 12.1 | - | 3,910 |
| Additional proceeds from sale of investments | | 48 | 59 |
| Post-sale expenditures for former investee company | | (5) | - |
| **Net cash (used in)/generated by investing activities** | | **43** | **3,603** |
| | | | |
| **Cash flows from financing activities** | | | |
| Compulsory redemption of shares | | - | (9,764) |
| **Net cash (used in)/generated by financing activities** | | **-** | **(9,764)** |
| | | | |
| **Net decrease in cash and cash equivalents** | | **(1,741)** | **(8,016)** |
| Cash and cash equivalents at start of the period | | 5,977 | 12,552 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | (254) | (195) |
| **Cash and cash equivalents at end of the period** | | **3,982** | **4,341** |

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

# Condensed consolidated statement of cash flows
# for the six months ended 31 December 2016

| | (Unaudited)<br>6 months ended<br>31 December 2016 | (Unaudited)<br>6 months ended<br>31 December 2015 |
|---|---|---|
| **Reconciliation of total loss and total comprehensive loss for the period to net cash used in operating activities** | $'000 | $'000 |
| Total loss and total comprehensive loss for the period | (14,571) | (1,463) |
| Adjustments for: | | |
| Net unrealised (gain)/loss on investments at fair value through profit or loss | 13,500 | (1,964) |
| Net realised (gain)/loss on investments at fair value through profit or loss | (44) | (4) |
| Provision for doubtful intercompany receivables | 382 | - |
| Decrease in provision for Incentive plans expense | (1,280) | (498) |
| Incentive plans payouts for October 2015 redemption | - | (126) |
| Depreciation expense | 4 | 1 |
| Net foreign exchange loss | 254 | 195 |
| Increase in net deferred tax liability | 163 | 1,976 |
| Taxation | 1 | (2) |
| **Operating loss before changes in working capital** | **(1,591)** | **(1,885)** |
| Movement in trade and other receivables | 49 | 1,607 |
| JRE receivable collected included in investment cash flows | - | (1,503) |
| Movement in trade and other payables | (242) | (74) |
| **Net cash used in operating activities** | **(1,784)** | **(1,855)** |

# Notes to the interim condensed consolidated financial statements for the six months ended 31 December 2016

## 1 Leaf

Leaf Clean Energy Company ("Leaf") was incorporated and registered in the Cayman Islands on 14 May 2007. Leaf was established to invest in clean energy projects, predominantly in North America. Clean energy includes activities such as the production of alternative fuels, renewable power generation and the use of technologies to reduce the environmental impact of traditional energy. The investments of Leaf will be realised in an orderly and expedient manner, that is, with a view to achieving a balance between: (i) returning cash to Shareholders at such times and from time to time and in such manner as the Board may (in its absolute discretion) determine; and (ii) maximising the realisation value of Leaf's investments. In light of the realisation strategy, there will be no specific investment restrictions applicable to Leaf's portfolio going forward.

The shares of Leaf were admitted to trading on the AIM market of the London Stock Exchange ("AIM") on 28 June 2007 when dealings also commenced.

During the period, Leaf's executive chairman, agents, and management team (the latter all employees of Leaf's subsidiary, Leaf Capital Management, LLC) performed all significant functions. Accordingly, Leaf itself had no employees prior to 1 January 2017. Following the elimination of the Leaf Capital Management, LLC subsidiary, the remaining former employees of the subsidiary have become employees of Leaf, effective 1 January 2017.

The interim condensed consolidated financial statements as at and for the six months ended 31 December 2016 are for the Leaf Group. Refer to note 16.

The consolidated financial statements of the Leaf Group as at and for the year ended 31 December 2016 are available upon request from Leaf's registered office at PO Box 309, Ugland House, George Town, Grand Cayman KY1-1104, Cayman Islands or at www.leafcleanenergy.com.

## 2 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of Leaf as at and for the year ended 30 June 2016.

These interim condensed consolidated financial statements were approved by the board of directors on 30 March 2017.

## 3 Significant accounting policies

Save as for explained above, the accounting policies applied by Leaf in these interim condensed consolidated financial statements are the same as those applied by Leaf in its consolidated financial statements as at and for the year ended 30 June 2016.

## 4 Use of estimates and judgements

The preparation of interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying Leaf's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 June 2016.

The most significant area requiring estimation and judgement by the directors is the valuation of unquoted investments, (see note 11).

## 5 Financial risk management

The Leaf Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2016.

The below table summarises the valuation methodologies and key assumptions in deriving the aggregate fair value of the investments as at 31 December 2016 of $102.2 million (30 June 2016: $115.7 million):

| **Name of Investment** | **Valuation methodology** | **Significant inputs / assumptions** |
|---|---|---|
| Invenergy Wind LLC ("Invenergy") | Income approach | Forecast cash flows (damages awarded in lawsuit) discount rate |
| Vital Renewable Energy Company, LLC ("VREC") | Market value | Multiple implied from preliminary transaction documents |
| Energia Escalona s.r.l. ("Escalona") | Income approach | Forecast cash flows discount rate |
| Lehigh Technologies Inc. ("Lehigh") | Income approach | Forecast cash flows discount rate |

The below table summarises the valuation methodologies and key assumptions in deriving the aggregate fair value of the investments as at 30 June 2016.

| **Name of Investment** | **Valuation methodology** | **Significant inputs / assumptions** |
|---|---|---|
| Invenergy Wind LLC ("Invenergy") | Income approach | Forecast cash flows (damages awarded in lawsuit) discount rate |
| Vital Renewable Energy Company, LLC ("VREC") | Market value | Choice of comparable companies, publicly available data about transactions and operating results |
| Energia Escalona s.r.l. ("Escalona") | Income approach | Forecast cash flows discount rate |
| Lehigh Technologies Inc. ("Lehigh") | Income approach | Forecast cash flows discount rate |

# Notes to the interim condensed consolidated financial statements for the six months ended 31 December 2016 (continued)

## 6 Administration expenses

| | (Unaudited) 6 months ended 31 December 2016 $'000 | (Unaudited) 6 months ended 31 December 2015 $'000 |
|---|---|---|
| Salaries and related costs | 387 | 418 |
| Directors' remuneration (note 9) | 173 | 173 |
| Legal and professional fees [1] | 105 | 244 |
| Other expenses | 94 | 117 |
| Administration fees | 75 | 88 |
| Rental fees | 48 | 66 |
| Audit Fees | 32 | 35 |
| Travel and subsistence expenses | 31 | 72 |
| Directors' and officers' insurance expense | 27 | 31 |
| Registrar fees and costs | 3 | 20 |
| Printing and stationery expenses | 1 | 5 |
| **Total** | **976** | **1,269** |

[1]Administration expenses do not include transaction related legal or professional services costs, which are reported as transaction related expenses on the condensed consolidated statement of comprehensive income.

## 7 Transaction-related costs

Leaf does not budget transaction-related costs, due to the unpredictability of their timing and amounts. The amount disclosed for the six-month period ended 31 December 2016 consists primarily of legal costs incurred during the period in connection with the complaint filed on 21 December 2015 by Leaf against Invenergy Wind LLC.

## 8. Incentive plans expense

The Leaf Board has adopted incentive compensation plans for the Company under which payees will receive incentive payments only when cash is returned to the shareholders. These plans include a sliding scale of incentives. As at 31 December 2016, the Leaf Group updated its prior estimate of the incentive payments to be $2.12 million (30 June 2016: $3.40 million), using an estimate of total cash that will be returned to the shareholders that is based on the 31 December 2016 net asset value less the estimated cash requirements of the Company in completing the realisation of the investments. Revisions to the estimate of total cash that will be returned to shareholders result in adjustments to the provision for future incentive plans payouts, which are recognised in profit or loss during the period of the adjustment.

## 9 Directors' remuneration

Details of the directors' basic annual remuneration areas in effect during the period was as follows:

| 31 December 2016 | **Basic annual remuneration** |
|---|---|
| | $'000 |
| Mark Lerdal (executive chairman) | 250 |
| Stephen Coe | 70 |
| Peter O'Keefe | 25 |
| | **345** |

Directors' fees and expenses payable during the six months ended 31 December 2016 were:

| 31 December 2016 | **Directors' fees** | **Annual bonus** | **Reimbursements** | **Total** |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Mark Lerdal (executive chairman) | 125 | - | 15 | 140 |
| Stephen Coe | 35 | - | - | 35 |
| Peter O'Keefe | 13 | - | - | 13 |
| | **173** | **-** | **15** | **188** |

| 31 December 2015 | **Directors' fees** | **Annual bonus** | **Reimbursements** | **Total** |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Mark Lerdal (executive chairman) | 125 | - | 21 | 146 |
| Stephen Coe | 35 | - | 1 | 36 |
| Peter O'Keefe | 13 | - | - | 13 |
| | **173** | **-** | **22** | **195** |

Each director is also entitled to receive reimbursement of any expenses in relation to their appointment. Total reimbursement to the directors for the six-months ended 31 December 2016 amounted to $14,743 (2015: $21,976) of which $nil was outstanding at 31 December 2016 (2015: $9,127).

## 10 Basic gain/loss per share

*Basic and Diluted*

Basic and diluted gain/(loss) per share is calculated by dividing the gain/(loss) attributable to equity holders of Leaf by the weighted average number of ordinary shares in issue during the period:

| | (Unaudited) 6 months ended 31 December 2016 | (Unaudited) 6 months ended 31 December 2015 |
|---|---|---|
| Loss attributable to equity holders ($'000) | (14,571) | (1,463) |
| Weighted average number of ordinary shares in issue (thousands) | 118,163 | 123,742 |
| **Basic and fully diluted loss per share (cents)** | **(12.33)** | **(1.18)** |

There is no difference between the basic and diluted loss per share for the period.

### 11 Investments

Investments in underlying investee companies (held through various wholly owned intermediary subsidiaries) comprise membership units, ordinary stock, and preferred stock carrying a cumulative preferred dividend, preferential return of capital and capped rights to share in profits. The directors, with advice from the in-house management team, Leaf Capital Management, LLC, and third-party financial advisor, DBO Partners (for the 31 December 2015 Invenergy valuation only), have reviewed the carrying value of each investment and calculated the aggregate value of the Leaf Group's portfolio. Investments are measured at the directors' estimate of fair value at the reporting date, in accordance with IAS 39 'Financial Instruments: Recognition and measurement.

### 12 Critical accounting estimates and assumptions

These disclosures supplement the commentary on the use of estimates and judgments (see note 4).

**Key sources of estimation uncertainty**

*Determining fair values*
The determination of fair values for financial assets for which there is no observable market prices requires the use of valuation techniques as described in accounting policy 3.1 from the 30 June 2016 financial statements. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

**Critical judgements in applying the Leaf Group's accounting policies**
Critical judgements made in applying the Leaf Group's accounting policies include:

*Valuation of financial instruments*
The Leaf Group's accounting policy on fair value measurements is discussed in accounting policy 3.1 from the 30 June 2016 consolidated financial statements. The Leaf Group measures fair value using the following hierarchy that reflects the significance of inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments: quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Leaf Group determines fair values using valuation techniques.

Leaf, through its wholly-owned subsidiaries, holds full or partial ownership interests in a number of unquoted clean energy companies. These investments are classified as level 3 in the fair value hierarchy.

**12.1 Investments at fair value through profit or loss (continued)**

The following table shows a reconciliation of the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy.

| | (Unaudited) Year ended 31 December 2016 | (Audited) Year ended 30 June 2016 |
|---|---|---|
| Balance brought forward | 115,700 | 117,320 |
| Derecognition of convertible note investment upon conversion | - | (95,000) |
| Recognition of equity investment upon conversion of convertible note | - | 95,000 |
| Additional investments in subsidiaries | - | 366 |
| Repayment of capital by investee companies | | (3,910) |
| Proceeds from sale of investments | - | (2,454) |
| Transaction related expenses paid and included in realised loss/gain from sale of investment | - | - |
| Movement in fair value of investments | (13,500) | 4,378 |
| Balance carried forward | 102,200 | 115,700 |
| Total gain/(losses) for the year included in profit or loss relating to investments held at the end of the reporting period. | (13,500) | 4,374 |

Investments are stated at fair value through profit or loss on initial recognition. All investee companies are unquoted. Leaf has an established control framework with respect to the measurement of fair values. The directors, with advice from the in-house management team, Leaf Capital Management, LLC, has overall responsibility for all significant fair value measurements, including Level 3 fair values. The in-house management team regularly reviews significant unobservable inputs and valuation adjustments.

**12.2 (a) Significant unobservable inputs used in measuring fair value**

The table below sets out information about significant unobservable inputs used at 31 December 2016 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

| Description | Fair value at 31 December 2016 US$'000 | Valuation technique | Unobservable input | Range | Sensitivity to changes in significant unobservable inputs |
|---|---|---|---|---|---|
| Unlisted private equity investments | $102,200 | Market multiples, income approach | Discount rates | 8.8%-20% | The estimated fair value would increase/(decrease) if the discount rate were lower/higher |
| | | | Forecast cash flows | n/a | n/a |
| | | | Forecast cash flows (lawsuit outcomes) | $54.8mm - $144.0mm | The estimated fair value would increase/(decrease) if the lawsuit outcome cash flow were higher/lower |

**12.2 (a) Significant unobservable inputs used in measuring fair value (continued)**

The table below sets out information about significant unobservable inputs used at 30 June 2016 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

| Description | Fair value at 30 June 2016 US$'000 | Valuation technique | Unobservable input | Range | Sensitivity to changes in significant unobservable inputs |
|---|---|---|---|---|---|
| Unlisted private equity investments | $115,700 | Market multiples, income approach | Operational multiples | $62/mm tons - $87/mm tons | The estimated fair value would increase (decrease) if the operational multiples were higher/lower. |
| | | | Discount rates | 8.8%-20% | The estimated fair value would increase/(decrease) if the discount rate were lower/higher |
| | | | Forecast cash flows | n/a | n/a |
| | | | Forecast cash flows (lawsuit outcomes) | $54.8mm - $138.0mm | The estimated fair value would increase/(decrease) if the lawsuit outcome cash flow were higher/lower |

Significant unobservable inputs are developed as follows.

Operational multiples: Represent amounts that market participants would use when pricing the investments. Operational multiples are selected from comparable public companies based on geographic location, industry, size, target markets and other factors that management considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the company by its operational metric and further adjusted if appropriate for considerations such as the lack of marketability and other differences between the comparable peer group and specific company.

Discount rate: Represents the rate used to discount projected levered or unlevered forecasted cash flows and terminal value for a project or company to their present values as part of the calculation of enterprise value for the project or company. Leaf uses a capital asset pricing model (CAPM) approach to calculate a discount rate appropriate for each project or company.

Forecast cash flows: Cash flows are forecast by Leaf by considering possible operational scenarios and transaction terms, the amount to be paid or received under each scenario and the probability of each scenario. In the case of Invenergy, they also consider alternative possible outcomes for the damages that might be awarded in Leaf's lawsuit against Invenergy.

**12.2 (b) Effects of unobservable input on fair value measurement**

Although Leaf believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on Leaf's net asset value (NAV) at 31 December 2016 ($ millions): (Favourable: 10.2, Unfavourable: (57.7)).

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the above unobservable inputs for the valuation of Leaf's unlisted private equity investments have been calculated by varying these inputs in the applicable valuation models based on a reasonable lower and upper range as determined by Leaf Management. The most significant unobservable inputs are the discount rate, and the forecasted cash flows for lawsuit outcomes. The discount rate used in the models at 31 December 2016 ranged between 9.8% and 15% (with reasonably possible alternative assumptions ranging between 8.8% and 20.0%). The forecasted cash flows for lawsuit outcomes used in the model was $122.2mm, with reasonably possible outcomes of $54.8mm and $144mm.

### 12 Critical accounting estimates and assumptions (continued)

#### 12.2 (b) Effects of unobservable input on fair value measurement

For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on Leaf's net asset value (NAV) at 30 June 2016 ($ millions): (Favourable: 17.6, Unfavourable: (59.6)).

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the above unobservable inputs for the valuation of Leaf's unlisted private equity investments have been calculated by varying these inputs in the applicable valuation models based on a reasonable lower and upper range as determined by Leaf Management. The most significant unobservable inputs are the discount rate, the forecasted cash flows for lawsuit outcomes and operational multiples. The discount rate used in the models at 30 June 2016 ranged between 9.8% and 17% (with reasonably possible alternative assumptions ranging between 8.8% and 20.0%). The forecasted cash flows for lawsuit outcomes used in the model was $122.2mm, with reasonably possible outcomes of $54.8mm and $138mm. The operational multiple used in the model at 30 June 2016 was $74/mm tons, with reasonably possible alternative assumptions of $62/mm tons to $87/mm tons.

### 13 Financial instruments not measured at fair value

The financial instruments not measured at fair value through profit or loss are short-term financial assets and financial liabilities whose carrying amounts approximate their fair value, these are all categorised within level 2 of the fair value hierarchy.

### 14 Trade and other receivables

| | (Unaudited) 31 December 2016 $'000 | (Audited) 30 June 2016 $'000 |
|---|---|---|
| Inter-company receivables | - | 373 |
| Prepayments | 79 | 137 |
| **Total** | 79 | **510** |

Amounts due from group companies are unsecured, interest free and receivable on demand.

### 15. Trade and other payables

| | (Unaudited) 31 December 2016 $'000 | (Audited) 30 June 2016 $'000 |
|---|---|---|
| Other creditors | 385 | 584 |
| Audit fees payable | 32 | 65 |
| Administration fees payable | 38 | 45 |
| **Total** | **455** | **694** |

# Notes to the interim condensed consolidated financial statements for the six months ended 31 December 2016 (continued)

### 16. The subsidiaries

The consolidated financial statements comprise Leaf and the following consolidated subsidiary:

| | Country of incorporation | Percentage of shares held |
|---|---|---|
| Leaf Capital Management, LLC | USA (Delaware) | 100% |

The following subsidiaries of the Leaf Group are held at fair value on the consolidated financial statements in accordance with IFRS 10:

| | Country of incorporation | Principal activity | Effective interest held |
|---|---|---|---|
| Energía Escalona Coopertief U.A | Netherlands | Hydro Energy | 87.5% |
| Escalona B.V | Netherlands | Hydro Energy | 87.5% |
| Energentum Energias Renovables S.A. de C.V. | Mexico | Hydro Energy | 87.5% |
| Energía Escalona s.r.l. | Mexico | Hydro Energy | 54.3% |
| Leaf Invenergy Company | Cayman Islands | | 100% |
| Leaf Invenergy US Investments, Inc. | USA (Delaware) | | 100% |
| Leaf Biomass Investments, Inc. | USA (Delaware) | | 100% |
| Leaf SkyFuels Company | Cayman Islands | | 100% |
| Leaf Solar Company | Cayman Islands | | 100% |
| Leaf VREC Company | Cayman Islands | | 100% |

### 17. Share capital

| **Ordinary shares of £0.0001 each** | **Number of shares** | **Share capital** | **Share premium** |
|---|---|---|---|
| | | $'000 | $'000 |
| At 30 June 2016 | **118,162,853** | **27** | **297,046** |
| At 31 December 2016 | **118,162,853** | **27** | **297,046** |

The authorised share capital of the Leaf Group is £25,000 divided into 250 million Ordinary Shares of 0.0001 each.

Under the terms of the placement on 22 June 2007, Leaf issued 200,000,000 shares of £0.0001 each par value at a price of £1 each. The difference between the issue price and the par value was transferred to share premium account, net of share issue expenses.

Leaf have repurchased 10,582,873 shares in 2015. Share capital and premium received was translated to US Dollars at the exchange rate prevailing at the date of receipt of the proceeds.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of Leaf. All shares rank equally with regards to the Leaf Group's assets.

*Capital management*

At an extraordinary general meeting ("EGM") held on 1 July 2014, Leaf's shareholders voted to accept the board's proposed resolution to change the Leaf Group's investment strategy to an orderly realisation and return of capital to the shareholders, which will occur on an asset-by-asset basis in timeframes appropriate for each asset. The details of the new strategy are disclosed in the EGM circular for this meeting, which can be found on Leaf's website.

The Leaf Group's capital comprises share capital, share premium and reserves and is not subject to externally imposed capital requirements.

**18. Income tax**

| | (Unaudited) Six months ended 31 December 2016 $'000 | (Unaudited) Six months ended 31 December 2015 $'000 |
|---|---|---|
| **Current tax expense** | | |
| Current year | 1 | 245 |
| | **1** | **245** |
| **Deferred tax expense** | | |
| Temporary differences | 163 | 8,219 |
| | **163** | **8,219** |
| **Tax (gain)/expense on continuing operations** | **164** | **8,464** |

The Leaf Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

| | | | (Unaudited) Balance as at 31 December 2016 | | |
|---|---|---|---|---|---|
| **2016 $'000** | **(Audited) Net balance at 01 July 2016** | **Recognised in profit or loss** | **Net** | **Deferred tax assets** | **Deferred tax liabilities** |
| Investments held at fair value through profit and loss | (11,768) | (11,931) | (11,931) | 9,339 | (21,270) |
| **Net tax assets (liabilities)** | **(11,768)** | **(11,931)** | **(11,931)** | **9,339** | **(21,270)** |

The deferred tax asset has been calculated using a 35% top US federal tax rate. The deferred tax liability has an effective tax rate of 40% which consists of a 35% top US federal tax rate plus an estimate of 5% for the blended state tax rate, taking into the account the deductibility of state taxes in the calculation of federal taxes.

**19. Investment in Invenergy**

On 21 December 2015, as previously announced, Leaf filed a lawsuit in Delaware Court of Chancery (the “DCC”) against Invenergy alleging, in part, that Invenergy breached the Third Amended and Restated Limited Liability Company Agreement governing the membership interests in Invenergy (the "Operating Agreement"). Leaf alleged that Invenergy was required to either obtain Leaf's prior consent to a sale of 832 megawatts of Invenergy’s wind power generation facilities to TerraForm Power for approximately $2 billion (the “TerraForm Transaction”), or, absent such consent, make a payment to Leaf upon the closing date of the sale.

On 28 December 2015, Invenergy exercised its rights under the Operating Agreement to redeem the LLC membership units owned by Leaf, and Leaf exercised its right to put these units to Invenergy.

On 7 January 2016, Leaf received a $3.9 million cash distribution from Invenergy pursuant to the terms of Invenergy’s Operating Agreement.

On 15 April 2016, Leaf filed a motion for partial judgment on the pleadings with respect to its claim that Invenergy breached the Operating Agreement.

On 30 June 2016, the Court granted Leaf’s motion, ruling that, because Invenergy did not obtain Leaf’s prior consent to the closing of the TerraForm Transaction, Invenergy breached the Operating Agreement by not “paying upon closing to Leaf cash proceeds equal to or more than its applicable Target Multiple”. The Court's ruling did not determine the amount of damages to which Leaf is entitled, which will require further proceedings. Such further proceedings are ongoing.

**19. Investment in Invenergy (continued)**

The following key developments with respect to these proceeding occurred during the interim period ended 31 December 2016:

On 18 July 2016, Leaf filed a motion for entry of an order and final judgment, asking the Court to order Invenergy to pay damages of $126.1 million, based on the calculation of the Target multiple per the terms of the Operating Agreement, less the $3.9 million previously reported tax distribution from Invenergy, plus interest on the net $122.2 in damages at the Delaware statutory rate of interest of 6%, compounded quarterly, from the date of the breach.

On 12 August 2016 Invenergy filed an answering brief to Leaf's motion, disputing that Leaf is entitled to the damages Leaf is seeking and arguing that Leaf is entitled, at most, to nominal damages. Invenergy also asserted in its brief that any obligation it owes to Leaf is excused because of the put/call process described in the interim statements. On this same date, Invenergy also filed a motion to amend its original answer to the lawsuit to add five additional affirmative defenses and two counterclaims.

On 6 October 2016, the Court heard oral arguments by the parties on the Leaf and Invenergy motions. In two orders on 7 and 10 October 2016 which can be downloaded and viewed in their entirety at the following URL: [http://www.leafcleanenergy.com/media-relations/download-centre/](http://www.leafcleanenergy.com/media-relations/download-centre/), the Court denied Leaf's and Invenergy's motions, apart from allowing one of Invenergy's counterclaims.

- The Court allowed Invenergy to assert a counterclaim against Leaf alleging that Leaf acted in bad faith by causing its appraiser in the put/call to provide a biased and inaccurate appraisal. Leaf believes this counterclaim to be without merit.

- The Court made additional rulings, including: 1) finding that Leaf's claims are not excused as a result of Leaf exercising the put, 2) that an exchange of mutual releases required in the put/call will not moot the lawsuit, and 3) that Leaf's right to a remedy for Invenergy's breach is not barred because Leaf did not seek injunctive relief to block the closing of the TerraForm Transaction.

The Court has scheduled a trial for September 2017 to determine the amount of Leaf's damages and to address Invenergy's counterclaim.

Because of the inherent risks associated with litigation and collection if Leaf prevails, together with income taxes and transaction expenses associated with the judgement, the Board of Directors has valued the investment in Invenergy at $99.1 million as at 31 December 2016.

Put/call process summary:

Invenergy called Leaf's interest in Invenergy on 28 December 2015. On the same day, Leaf put its interest to Invenergy in order to mitigate its damages from Invenergy's breach. Each party appointed a third-party appraiser to value Leaf's stake in Invenergy. The results were $73.1 million (from the appraiser appointed by Leaf) and $36.4 million (from the appraiser appointed by Invenergy). As noted above, Invenergy has asserted a counterclaim alleging that Leaf acted in bad faith by allegedly causing its appraiser to provide a biased and inaccurate appraisal. A third appraiser has been retained jointly by Leaf and Invenergy to value Leaf's interest in Invenergy. Pursuant to the Operating Agreement, when that appraisal is complete, the average of the three appraisals should determine the price for Leaf's interest in Invenergy for purposes of the put/call process. Leaf believes that the put/call process outcome will determine the ultimate value of Leaf's stake in Invenergy only if the Court decides Leaf is entitled to less than the put/call outcome in damages for Invenergy's breach of contract.

If Leaf does not prevail in the litigation, the ultimate recovery of the investment in Invenergy will be substantially lower than the Leaf's current holding value for its investment in Invenergy.

**20. Subsequent Events**

On 2 March 2017, Leaf made an additional investment of $250 thousand in the preferred equity of Lehigh.