

17 May 2017

Christopher Dobbs  
Adviser, Listing Compliance  
ASX Compliance Pty Limited  
20 Bridge Street  
SYDNEY NSW 2000

By email:

Dear Mr. Dobbs,

**Response to Appendix 4C Query**

I acknowledge receipt of your letter dated 12 May 2017 regarding the Company's Appendix 4C quarterly report for the period ended 31 March 2017. Your questions are individually answered below but the following background information is pertinent to all your questions.

Leaf Resources is currently commercialising its' proprietary Glycell™ process and as reported in our shareholder update on 26 April 2017 has made significant progress in Malaysia as it secures the key milestones required to develop its first commercial project.

As the decision point for this project draws closer, Leaf Resources has made a conscious decision to commit necessary resources to this development and consequently there has been an increase in expenditure by the Company. This increase occurred during the March 2017 quarter and is expected to continue through the June 2017 quarter as reported in the Appendix 4C and noted by yourself.

The commitment of resources reflects the Directors' confidence in the progress of the project in Malaysia.

Should the need arise, the Company could revert to its more normal quarterly expenditure levels of around \$750,000 as per previous quarters, however, the Directors are of the belief that potential developments in Malaysia will occur in the near future and that the Company needs to be positioned to maximise the benefits ensuing from those developments.

It should also be noted that Leaf Resources estimates an R&D tax incentive cash refund between \$500,000 - \$700,000 in respect of the 2017 financial year. Discussions have started on the financing of this refund through the commercial channels that offer this financial service.

Leaf is on the cusp of a commercial breakthrough in Malaysia and the board believes that the current level of expenditure is:

- prudent, given the opportunity;
- positioning the company strongly for raising further equity; and
- being spent in a manner that enhances the potential success of the project.

Our responses to your specific questions follow:

**1. Does the Entity expect that it will continue to have negative operating cash flows for the time being and, if not, why not?**

Over recent years the Company has developed its proprietary Glycell™ process and is now seeking to commercialise that process. Whilst the Company is progressing its commercialisation strategy (see Shareholder Update lodged 26 April 2017) and that strategy is progressing towards the deployment of an initial commercial facility, the Company expects that it will continue to have negative operating cash flows in the near future.

**2. Has the Entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?**

On 16 May 2017, the Company notified shareholders of an extraordinary general meeting to be held on 16 June 2017. At that meeting, shareholders will be asked to ratify the previous issues of 29,051,726 equity securities issued under ASX Listing Rules 7.1 and 7.1A. This will reinstate the Company's ability to raise capital by issuing further shares in accordance with ASX Listing Rules 7.1 and 7.1A.

The Company has, over the last 3 years, shown its ability to raise equity capital as required and believes that, based on current discussions with potential Australian and overseas investors and our Australian corporate advisors, it will be able to raise equity as needed. The Company will make such disclosures as are necessary when they are necessary, as required by the Listing Rules.

In April 2017, the Company received notification from Austrade that its Export Market Development Grant application in respect of the 2016 financial year was successful up to the maximum possible grant amount of \$150,000. Leaf has received \$40,000 under the first tranche payment and the balance entitlement will be received following Austrade determining the payout factor to be applied to all EMDG recipients.

Post 30 June 2017, the Company believes, based on previous years' rulings, that in excess of \$500,000 will be received from the R & D Tax as a cash refund.

**3. Does the Entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?**

The Company expects that it will be able to continue its operations and to meet its business objectives based on its current levels of liquid assets and its ability to promptly raise capital.

**4. Can the Entity confirm that it is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market?**

The Company confirms that it is in compliance with the listing rules and in particular Listing Rule 3.1 and that there is no information about its financial condition that should and has not already been released to the market. A comprehensive Shareholder Update was released to the market on 26 April 2017 and following that on 8 May 2017, it was announced that, subject to certain shareholder approvals, Mr William Baum would be appointed as a non-executive director. A notice of extraordinary general meeting to be held on 16 June 2017 was made on 16 May 2017.

**5. Please also provide any other information that the Entity considers may be relevant to ASX forming an opinion on whether the Entity is in compliance with Listing Rule 12.2.**

The Company can confirm that it is in compliance with Listing Rule 12.2 and has sufficient assets to cover its liabilities and meet its ongoing commitments.

Yours sincerely,



Ken Richards  
Managing Director  
LEAF RESOURCES LIMITED



12 May 2017

Helen Pennisi  
Company Secretary  
Leaf Resources Limited  
2806 Ipswich Road,  
Darra QLD 4076

By email: [h.pennisi@leafresources.com.au](mailto:h.pennisi@leafresources.com.au)

Dear Helen,

**LEAF RESOURCES LIMITED ("the Company"): Appendix 4C Query**

I refer to the Company's Appendix 4C quarterly report for the period ended 31 March 2017 lodged with ASX Market Announcements Platform and released on 26 April 2017 (the "Appendix 4C").

ASX notes that the Company has reported:

- negative net operating cash flows for the quarter of \$1,319,000;
- cash at the end of the quarter of \$1,561,000; and
- estimated cash outflows for the next quarter of \$1,499,000.

It is possible to conclude, based on the information in the Appendix 4C, that if the Company were to continue to expend cash at the rate indicated by the Appendix 4C, the Company may not have sufficient cash to continue funding its operations. In view of that, ASX asks the Company to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Does the Company expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has the Company taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does the Company expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that the Company is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.
5. Please confirm that the Company's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that the Company considers may be relevant to ASX forming an opinion on whether the Company is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing).

### **When and where to send your response**

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **10:00 am AEST on Wednesday 17 May 2017**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Company's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Company's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at **chris.dobbs@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Listing Rule 3.1**

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to the Company's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that the Company's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Company's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Christopher Dobbs'.

Christopher Dobbs  
Adviser, Listings Compliance  
Ph : (02) 9227 0488