

Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Leaf Resources Limited and its Controlled Entities ('the Group') have adopted the third edition of the *Corporate Governance Principles and Recommendations* which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The Corporate Governance Statement outlines the main corporate governance practices and policies in place during the 2016 financial year and at the date of this statement relating to the consolidated entity. The Group's corporate governance practices are reviewed regularly and will continue to be developed and refined to meet the needs of the Group and taking account of best practice.

The Group's Corporate Governance Statement for the financial year ending 30 June 2016 is dated 26 April 2016 was approved by the Board on 30 August 2016. The Corporate Governance Statement is available on Leaf Resources Limited's website at www.leafresources.com.au.

Principle 1: Lay solid foundations for management and oversight

Functions of the Board and Management

The Board of Directors is responsible for the corporate governance of the Group and operates in accordance with the principles set out in its Charter, which is available on our website www.leafresources.com.au. To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of Directors and for the operation of the Board. These responsibilities include:

- Providing strategic direction for, and approving, the Company's business strategies and objectives and monitoring the operational and financial position and performance of the Company;
- Monitoring the principal risks, ensure appropriate internal controls and monitoring systems are in place, and reduce the impact of these risks;
- Appointing and, where appropriate, removing the senior executives and approving other key appointments and planning for succession;
- Overseeing and evaluating the performance of the senior executives having regard to the Company's business strategies and objectives;
- Reviewing and approving remuneration for the senior executives of the Company;
- Approving the Company's budgets and business plans and monitoring the management of the Company's capital, including the progress of any major capital expenditures, acquisitions or divestitures;
- Establishing procedures to ensure that financial results are appropriately and accurately reported on a timely basis in accordance with all legal and regulatory requirements;
- Adopting appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards; and

- Approving, and reviewing from time to time, the Company's internal compliance procedures, including any codes of conduct and taking all reasonable steps to ensure that the business of the Company is conducted in an open and ethical manner.

The responsibility for the operation and administration of the Group is delegated by the Board to the Managing Director (MD) and the executive management team as set out in the Board Charter. The Board ensures that both the MD and executive team are appropriately qualified and experienced to discharge their responsibilities.

Board committees

Leaf Resources board had established three standing committees to assist in meeting its responsibilities — the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board retired the Nomination Committee in September 2012 due to the changes in the Board composition at that time. As ASX principles suggest, the efficiencies gained from delegating these functions to a separate committee are not gained for smaller Boards. The functions of these Committees are now carried out by the full Board as part of the Board's responsibilities.

Committees review matters on behalf of the Board and make recommendations for consideration by the entire Board. Copies of the charters of these committees can be accessed from our website.

Senior Executive performance evaluation

The Board reviews the performance of the MD and executive team on a yearly basis. Performance is measured against a set of key performance indicators which have been established with reference to the Group's strategy and the individual's responsibility. The Board annually reviews and determines the remuneration arrangements for the MD and executive team.

Principle 2: Structure the Board to add value

Board composition

The names of the members of the Board as at the date of this report are as follows:

- Dr Jay Hetzel – Chairman and independent non-executive director
- Ken Richards - Managing director
- Charles Wilson - Independent non-executive director
- Matthew Morgan – Independent non-executive director

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report are included in the Directors' Report.

The Board's charter states that the Board composition is determined with regard to the following criteria:

- The company must have a minimum of three Directors.
- Comprise a majority of non-executive Directors who are considered by the Board to be independent.
- Every annual general meeting, one third of the Directors, excluding one Managing Director, must retire from office but may stand for re-election.
- Executive Directors must resign from the Board when they cease to occupy their executive position with the Company. They may be eligible for re-appointment as non-executive Directors, although the Board will consider the suitability of such candidates in accordance with, among other things, its policy relating to the independence of Directors.

- Where the company circumstances allow, the Chairman should be a non-executive, independent Director and should not hold the office of either the CEO or the COO at the same time.
- The Board will appoint the Chairman on the basis of relevant experience, skill and other commitments.

The Board seeks to ensure that:

- Its membership represents an appropriate balance between directors with experience and knowledge of the group and Directors with an external or fresh perspective; and
- The size of the Board is conducive to effective discussion and efficient decision-making.

Board composition is reviewed periodically, either when a vacancy arises or if it is considered that the Board would benefit from the services of a new Director.

Directors' Independence

When determining if a Director is independent, the Board will consider a range of factors including whether the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity, by the Company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has served on the Board for a period that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; or
- has a material contractual relationship with the Company or another group member other than as a Director.

Based on these criteria, the executive director Ken Richards is not considered to be independent due to his management capacity and his substantial shareholding. However, Dr Jay Hetzel is free from any material relationships and was initially appointed as a non-executive director during the 2012 financial year as part of the Board's succession planning. Subsequently he was promoted to Chairman holding the casting vote and is considered independent.

Non-executive directors are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their independent judgement.

In this context, "materiality" is considered from both the Group and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important or whether the competitive landscape, the nature of the relationship and contractual or other arrangements governing the relationship affect the ability of the director in question to shape the direction of the Company's loyalty. The Board considers independence to be a state of mind, of independence from management, which is evidenced by the director's course of conduct in deliberations at the Board table. This independence allows the director to fulfil the duties of a director untrammelled by considerations of relationship or attachment to management or their proposals or existing business plans.

The Directors have determined that despite Charles Wilson's substantial shareholding, he has no other material relationships affecting his independence and on the basis of qualitative factors, the Board is of the opinion that he is an Independent Director. In July 2014, Matthew Morgan was appointed as an independent non-executive director. Matthew Morgan has previously assisted the company with its successful capital raising program.

The Board assesses Director independence on an annual basis, or more often if it feels it is warranted, depending on disclosures made by individual Directors and changes on the composition of the Board.

In summary, at the date of signing the Directors' Report, there is one executive director and three non-executive directors, all of whom have been determined to be independent.

Role of the Chairman

The roles of Chairman and Managing Director are exercised by different individuals, providing for clear division of responsibility at the head of the Group. Their roles and responsibilities, and the division of responsibilities between them, are clearly defined and understood and there is regular communication between them. The Chairman is an independent non-executive director who is responsible for leading the Board, and ensuring the Board functions effectively and for communicating the views of the Board to the public.

The Board retired the Nomination Committee due to the changes in the Board composition that occurred in September 2012. As ASX principle 2.1 suggests the efficiencies gained from delegating the Nomination Committee functions to a separate committee are not gained for smaller Boards. The functions of the Nomination Committee are carried out by the full Board as part of the Board's responsibilities.

Nomination Committee

The Nomination Committee functions assumed by the Board include overseeing the appointment and induction process for Directors and the selection, appointment and succession planning process of the Group's executives.

When a vacancy exists or there is a need for a particular skill, the Board determines the selection criteria that will be applied. The Board will then identify suitable candidates, with assistance from an external consultant if required, and will interview and assess the selected candidates.

Directors' Performance Evaluation

The Board performs an annual self-review of Board performance. The results of this assessment will be reviewed by the Board and will be used to establish new performance objectives.

To help Directors maintain their understanding of the business and to assess business performance, Directors are briefed regularly by members of the Executive team. Directors also have access to other employees at all levels. Directors receive comprehensive regular reports from management and have unrestricted access to Group records and information. All Directors have direct access to the Company Secretary who is accountable to the Board on all corporate governance matters.

Independent Professional Advice

Any Director may take such independent legal, financial or other advice as they consider necessary at the Company's cost. Any Director seeking independent advice must first discuss the request with the Chairman who will facilitate obtaining such advice.

Principle 3: Act ethically and responsibly

Code of Conduct

The Group recognises the importance of establishing and maintaining high ethical standards and decision making in conducting its business and is committed to increasing shareholder value in conjunction with fulfilling its responsibilities as a good corporate citizen. All Directors, managers and employees are expected to act with the utmost integrity, honesty and objectivity, striving at all times to enhance the reputation and performance of the Group. The Group has established a Code of Conduct, copies of which are available on our website www.leafresources.com.au.

Unethical practices, including fraud, legal and regulatory breaches, and policy breaches are required to be reported on a timely basis to management. Reporting parties are able to do so without fear of reprisal or retribution as their identity and report are kept in the strictest confidence. External third-party reporting procedures are available to employees to provide them with the assurance that their identity will be kept confidential at all times.

Share Trading Policy

The Group has established a securities trading policy which governs the trading in the Group's securities and applies to all Directors and employees of the Group. A copy of this policy is available on our website www.leafresources.com.au. Under this share trading policy, an executive, employee or Director must not trade in any securities of the Group at any time when they are in possession of unpublished, price sensitive information in relation to those securities.

Before commencing to trade, an executive or employee must first obtain the permission of the Chairman (in the case of an executive) or the Managing Director (in the case of an employee) to do so. The trading windows are 30 days after the release of the half year results, full year results, quarterly reports, lodging disclosure documents and the holding of the Annual General Meeting. Trading of securities outside the trading windows can only occur in exceptional circumstances and with the approval of the Company Secretary.

As required by the ASX listing rules, the Group notifies the ASX of any transaction conducted by Directors in the securities of the Group.

Diversity Policy

Recommendation 1.5 of the Corporate Governance Principles addresses Diversity. This includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to diversity and recognises the benefits arising from employee and Board diversity and the importance of benefiting from all available talent. The company will research an appropriate policy with a view to adopting prior to 30 June 2017.

This diversity policy will include the requirements for the board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. Accordingly, the board has reported on the actual diversity for the year and also developed the following target objectives regarding gender diversity and aims to achieve these objectives over the next few years as director and senior executive positions become vacant and appropriately qualified candidates become available:

	2016 Actuals		2017-2018 Targets	
	No.	%	No.	%
Women on the Board	-	-	-	-
Women in senior management roles	1	20%	1	20%
Women employees in the company	3	43%	4	50%
Work life balance initiative	7	100%	8	100%

Principle 4: Safeguard integrity in financial reporting

The Board has established an Audit Committee which operates under a Charter approved by the Board and meets throughout the year. At the date of signing the Directors' Report, the Audit Committee comprised the following Non-Executive Directors, Matt Morgan as its Chairman, Charles Wilson and Dr Jay Hetzel. Due to the appointment of Matt Morgan in July 2014, the composition of the committee has increased to consist of three non-executive directors following a period of departing from this principle whilst the Company was a small market capitalised company in commercialisation stage consisting of a smaller Board.

The members of the Audit Committee have significant financial, business, and legal backgrounds, expertise and qualifications. The full particulars of each member's relevant experience and qualifications, and other relevant matters are contained in the Directors' Report.

Principle 5: Make timely and balanced disclosure

Leaf Resources has established policies and procedures to ensure timely and balanced disclosure of all material matters concerning the Group, and ensure that all investors have access to information on the Group's financial performance. This ensures that the Group is compliant with the information disclosure requirements under the ASX Listing Rules.

These policies and procedures include a comprehensive Disclosure Policy that includes identification of matters that may have a material impact on the price of Leaf Resources securities, notifying them to the ASX, posting relevant information on the Group's website and issuing media releases. These policies are available on our website www.leafresources.com.au.

Matters involving potential market sensitive information must first be reported to the managing director. The managing director will assess the information with regards to the Group's disclosure responsibilities. Once the appropriate course of action has been agreed upon, either the Managing Director or Company Secretary will disclose the information to the relevant authorities once approved by the Chairman.

The appropriate action must be determined and carried out in a timely manner in order for the Group to comply with the Information Disclosure requirements of the ASX.

Principle 6: Respect the rights of the shareholders

Leaf Resources has established a Shareholder Communication Policy which describes the Group's approach to promoting effective communication with shareholders. A copy of the company's policy is available on our website www.leafresources.com.au. The company communicates directly with shareholders on a regular basis during the year using the following mechanisms:

- The annual report, including relevant information about the operations of the Group during the year, key financial information, changes in the state of affairs and indications of future developments. The annual report can be accessed either through the ASX website or Leaf Resources website.
- The half year and full year financial results are announced to the ASX and are available to shareholders via the Leaf Resources and ASX websites.
- All announcements made to the market and related information (including presentations to investors) are made available to all shareholders on Leaf Resources website after they have been released to the ASX.
- Detailed notices of shareholder meetings are sent to all shareholders in advance of the meeting and available on the Company's website.
- Shareholding details are available through the Group's share register, Link Market Services.

The Board encourages full participation by shareholders at the Annual General Meeting to ensure a high level of Director accountability to shareholders and shareholder identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions. The shareholders are requested to vote on matters such as the adoption of the Group's remuneration report.

The external auditor attends the Annual General Meeting to answer any questions concerning the audit of the Group and the contents of the auditor's report.

Principle 7: Recognise and manage risk

Risk management framework

The Group continues its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Group's approach to creating long-term shareholder value.

In recognition of this, the Board determines the company's risk profile and is responsible for overseeing and approving risk management strategy and internal compliance and internal control policies.

The Board, together with the Audit Committee, oversees management's implementation of these risk management processes, in particular that:

- The principal strategic, operational and financial risks are identified.
- Effective systems are in place to monitor and, if appropriate, manage risks.
- Reporting systems, internal controls and arrangements for monitoring compliance with laws and regulations are adequate.
- Procedures requiring that significant capital and operating expenses are approved at an appropriate level of management or by the Board.

Audit and Risk Committee

The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. Detailed work on this task is delegated to the Audit Committee.

The Audit Committee is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. They monitor the Company's risk management by overseeing management's actions in the evaluation, management, monitoring and reporting of material operational, financial, compliance and strategic risks. In providing this oversight, the Committee:

- Reviews the framework and methodology for risk identification, the degree of risk the Company is willing to accept, the management of risk and the processes for auditing and evaluating the Company's risk management system;
- Reviews group-wide objectives in the context of the abovementioned categories of corporate risk;
- Reviews and, where necessary, approves guidelines and policies governing the identification, assessment and management of the Company's exposure to risk;
- Reviews and approves the delegations of financial authorities and addresses any need to update these authorities on an annual basis; and
- Reviews compliance with agreed policies.

Principle 8: Remunerate fairly and responsibly

The Board reinstated the Remuneration Committee in April 2016 due to the changes in the Board composition that occurred. As ASX principle 8.1 suggests the efficiencies gained from delegating the Remuneration Committee functions to a separate committee are not gained for smaller Boards. The functions of the Remuneration Committee are carried out by the full Board as part of the Board's responsibilities.

The Remuneration Committee functions occurring at the Board level include overseeing the appointment and induction process for directors and the selection, appointment and succession planning process of the Group's executives. The Remuneration Committee functions assumed by the Board include making recommendations on the remuneration arrangements for non-executive directors and executives; equity, superannuation and retirement arrangements; recruitment, retention and performance measurement policies and procedures; and public disclosures regarding remuneration.

Details of the Group's remuneration structure and details of senior executives' remuneration and incentives are set out in the Remuneration Report contained within the Directors' Report. The Remuneration Report also contains details on the structure of Non-Executive Director Remuneration.