

29th March 2019

Australian Securities Exchange Announcement

Leaf issues unsecured Promissory Notes to Fund Working Capital

Leaf is pleased to advise that it has executed a Note Subscription Agreement with entities associated with directors Douglas Rathbone and Ken Richards for the issue of a total of 2,500 unsecured notes with a face value of \$100 each (**Notes**) totaling \$250,000, to fund the Company's immediate needs for additional working capital. The Notes are expected to be issued on 2nd April 2019.

The Notes have a term of three years, with a simple interest rate of 14% per annum payable at the end of the term, unless the Company exercises its rights to repay the capital and accrued interest earlier or is required to do so under the Note terms. The Company (but not the Note holder) may elect, in its discretion, to convert the Notes into fully paid ordinary shares (**Shares**) instead of repaying the face value and accrued interest. Further details of the Notes are attached.

The terms of the Notes have been determined to be on an arm's length basis and have been approved by the non-interested directors of the Company.

Leaf Resources CEO Alex Baker said the Company is pursuing the establishment of a biorefinery project in Malaysia incorporating its technology and discussions with Malaysian government authorities and local companies are ongoing.

"With a significant abundance of biomass in Malaysia and potential economic and environmental benefit that is identified in the region, we are working to consolidate the next phase of the proposed biorefinery project in Johor, Malaysia on terms that benefit Leaf Shareholders."

ENDS

About Leaf Resources Ltd (ASX: LER)

Leaf Resources is one of the world's leading companies in converting plant biomass into industrial sugars. Our proprietary process for converting biomass-to-functional industrial sugars enable a myriad of downstream technologies for the production of renewable chemicals that will substitute petrochemicals used in manufacturing today. With our project development and continued technical innovation we are building a robust global business centered on renewable carbon containing products to deliver environmental and economic benefits to our shareholders and our planet. More on www.leafresources.com.au

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Notes - Key terms

Term	Details
Tranches	The Notes will comprise 1 tranche of 2,500 Notes with an aggregate Face Value of \$250,000.
Face Value	\$100 per Note.
Interest rate	14% per annum simple interest, payable upon redemption or conversion.
Term	Subject to early redemption, the term is 3 years from the date of issue of the Notes.
Security	The Notes are unsecured.
Quotation	The Notes will not be quoted on ASX or any other market.
Redemption	<p>The Company:</p> <ul style="list-style-type: none"> • must redeem the Notes early if there is an Event of Default (see below) and the Noteholders give notice requiring redemption; • must redeem the Notes early if there is a Capital Raising Event or a Control Event (see below); and • may redeem the Notes early in any other circumstances determined by the Board in its absolute discretion.
Capital Raising Event	The Company raising gross proceeds of \$1 million or more (in aggregate) from one or more issues of Shares and/or convertible securities at substantially the same time, or in any other circumstances which the Board in its absolute discretion considers to be a Capital Raising Event.
Control Event	<p>(a) either:</p> <p>(i) an offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) Shareholders other than the offeror and/or any associate (as defined in section 12 of the Corporations Act) of the offeror) to acquire the whole or any part of the Shares in the Company, or</p> <p>(ii) any person proposes a scheme of arrangement with regard to such acquisition,</p> <p>and (such offer or scheme having become or been declared unconditional in all respects) the right to cast more than 50% of the votes which may ordinarily be cast on a poll at a general meeting of Company has or will become unconditionally vested in the offeror and/or such associate(s) as aforesaid, or an event occurs which has a like or similar effect; or</p> <p>(b) the Company Group consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person.</p>
Redemption Amount	The Face Value plus any interest which has accrued but not been paid on that Note on Redemption date or the conversion date (as applicable). If the Company is in liquidation, or being dissolved or wound up and has insufficient assets to permit payment of the Redemption Amount in full to the Noteholder, then the Company will distribute the amount it has available rateably to the Noteholder in proportion to the amount the Noteholder would have been entitled to receive in full and final discharge of its obligations under the Notes.
Company's conversion right	<p>Where the Notes are to be redeemed, the Company may, in its absolute discretion, elect to convert the Notes into Shares. If so, the Redemption Amount is applied to the issue of Shares at the Conversion Price (see below). The Noteholders do not have a right to convert the Notes to Shares.</p> <p>If any shareholder approval is required in connection with the proposed issue of Shares, the Company must take all steps reasonably required to convene a general meeting to consider the necessary resolutions, as soon as reasonably practicable after the date of the Conversion notice.</p>
Conversion Price	The VWAP calculated in respect of the period of 15 Business Days ending 2 Business Days prior to the Conversion Date. The Conversion Price is subject to certain

	adjustments for bonus, rights and other security issues, buybacks, capital returns and capital reconstructions, subject to any requirements of the ASX Listing Rules.
VWAP	On any day the average of the daily volume weighted average sale prices (rounded to the nearest full cent) of Shares sold on ASX during a specified period of days prior to that day, with certain customary exclusions.
Ranking of Shares	Each Share issued on conversion of any Notes ranks equally in all respects and forms one class with the Shares on issue at the relevant Redemption date, provided that where the Redemption date occurs after the record date for a dividend or other distribution determined by the Board to be payable to holders of Shares, that Share will not participate in the relevant dividend or other distribution.
Negative Undertakings	The Company has agreed not to do certain things without the prior written consent of the Noteholders (acting reasonably).
Events of Default	<p>The following events are Events of Default:</p> <ul style="list-style-type: none"> the Company fails to repay any amount due in respect of a Note, or any other monies due to the Noteholder, when due and payable; the Company commits a material breach of the Note Terms and the Company receives a notice of breach from a Noteholder and does not remedy that breach within 20 Business Days of receiving that notice; an Insolvency Event occurs in relation to the Company; an order for payment or a judgement in excess of \$2,000,000 is made in respect of the Company and the amount is not paid within 7 days; ASIC or any government agency issues any proceedings against the Company or its directors alleging material breach of the Corporations Act; the Company ceases to carry on the business or the majority part thereof; an appointment or removal of the Chairman of the Company, or of any director of the Company or an appointment or removal of any senior manager of the Company, including the Chief Executive Officer or the Chief Financial Officer, without the prior approval of the Noteholders; or make any capital return or buy-back in respect of the securities of the Company (other than under these Note Terms). <p>If the default is not remedied, the Noteholders may require the Company to redeem the Notes (including accrued interest).</p>
Ranking of Notes	Each Note ranks equally with all other Notes in all respects, except conversion.
No participation right	The Notes carry no right to participate in any offering of securities by the Company.
No voting rights	Except as required by the Corporations Act, the Noteholder will not have any right to vote at general meetings of the Company.
Transfer of Notes	The Notes may be transferred with the prior written consent of the Board (which consent must not be unreasonably withheld).