

NO. 1

PRINCIPAL AMOUNT \$2,245,770

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE DECEMBER 28, 2012.

WITHOUT PRIOR WRITTEN APPROVAL OF THE TSX VENTURE EXCHANGE AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF THE TSX VENTURE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL DECEMBER 28, 2012.

THIS DEBENTURE AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS DEBENTURE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OF THE UNITED STATES OF AMERICA (THE "ACT") OR THE SECURITIES LAWS OF ANY STATE ("STATE") OF THE UNITED STATES OF AMERICA AND MAY NOT BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, TO A U.S. PERSON (AS DEFINED IN REGULATION S ADOPTED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION UNDER THE ACT) OR WITHIN THE UNITED STATES UNLESS SUCH SECURITIES ARE (I) REGISTERED UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES ACT (A "STATE ACT"), OR (II) EXEMPT FROM REGISTRATION UNDER THE ACT AND ANY APPLICABLE STATE ACT AND THE CORPORATION HAS RECEIVED AN OPINION OF COUNSEL TO SUCH EFFECT REASONABLY SATISFACTORY TO IT, OR (III) SOLD IN ACCORDANCE WITH REGULATION S AND THE CORPORATION HAS RECEIVED AN OPINION OF COUNSEL TO SUCH EFFECT REASONABLY SATISFACTORY TO IT.

NON-TRANSFERABLE SECURED CONVERTIBLE DEBENTURE

ISSUED TO WASABI ENERGY LIMITED

**Dated August 27, 2012
(the "Effective Date")**

Issued by: Lignol Energy Corporation

NOW THEREFORE it is hereby covenanted, agreed and declared as follows:

ARTICLE I
INTERPRETATION

1.1 **Definitions.** In this Debenture, including the preamble, unless there is something in the subject matter or context inconsistent therewith, the following expressions shall have the following meanings, namely:

"Business Day" means any day other than a Saturday, Sunday, legal holiday or a day on which banking institutions are closed in Vancouver, British Columbia;

"Common Shares" means the common shares in the capital of the Corporation as such shares are constituted on the date hereof;

"Condition Precedent" has the meaning ascribed to it in Section 4.5 hereof;

"Conversion Notice" has the meaning ascribed to it in Section 4.1 hereof;

“**Conversion Price**” means the price per Common Share at which the Principal Amount outstanding under this Debenture shall from time to time be convertible into Common Shares pursuant to a Holder Conversion, being \$0.15 per Common Share subject to adjustment hereunder;

“**Corporation**” means Lignol Energy Corporation a company incorporated under the *Business Corporations Act* (British Columbia);

“**this Debenture**”, the “**Debenture**”, “**herein**”, “**hereby**”, “**hereof**”, “**hereto**”, “**hereunder**” and similar expressions mean or refer to this secured convertible debenture and any debenture, deed or instrument supplemental or ancillary thereto and any schedules hereto or thereto and not to any particular article, section, subsection, clause, subclause or other portion hereof;

“**Directors**” means the persons who are the directors of the Corporation at the date of any event;

“**Effective Date**” means the Effective Date as shown on the first page of this Debenture;

“**Event of Default**” means any of the events specified in Section 7.1 hereof;

“**Holder**” has the meaning ascribed to it in Section 2.1 hereof;

“**Holder Conversion**” has the meaning ascribed to it in Section 4.1 hereof;

“**Indebtedness**” has the meaning ascribed to it in Section 2.1 hereof;

“**Market Price**” has the meaning ascribed to it in Policy 1.1 of the TSX Venture Exchange Corporate Finance Manual;

“**Maturity Date**” has the meaning ascribed to it in Section 2.1 hereof;

“**Notice**” has the meaning ascribed to it in Section 4.5 hereof;

“**person**” means an individual, corporation, partnership, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative, or any group or combination thereof;

“**Principal Amount**” has the meaning ascribed to it in Section 2.1 hereof; and

“**TSXV**” means the TSX Venture Exchange Inc.

- 1.2 **Gender.** Whenever used in this Debenture, words importing the singular number only shall include the plural and vice versa, and words importing the masculine gender shall include the feminine gender.

- 1.3 **Numbering of Articles, etc.** Unless otherwise stated, a reference herein to a numbered or lettered article, section, subsection, clause, sub-clause or schedule refers to the article, section, subsection, clause, sub-clause or schedule bearing that number or letter in this Debenture.
- 1.4 **Day not a Business Day.** In the event that any day on or before which any action is required to be taken hereunder is not a Business Day, then such action shall be required to be taken on or before the requisite time on the next succeeding day that is a Business Day. If the payment of any amount is deferred for any period, then such period shall be included for purposes of the computation of any interest payable hereunder.
- 1.5 **Computation of Time Period.** Except to the extent otherwise provided herein, in the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding”.
- 1.6 **Currency.** All references to dollars or to “\$” shall be references to Canadian dollars unless otherwise specified.

ARTICLE II **PROMISE TO PAY**

- 2.1 **Indebtedness.** The Corporation, for value received, and in consideration of the premises hereby acknowledges itself indebted and promises and covenants to pay to Wasabi Energy Limited, the registered holder hereof (the “**Holder**”) on June 27, 2013 (the “**Maturity Date**”):
- (a) the principal amount of \$2,245,770 (two million two hundred forty-five thousand seven hundred seventy dollars) (the “**Principal Amount**”), less all amounts by which the Principal Amount is reduced from time to time by all repayments under Section 2.2 hereof and all exercises of the conversion rights set out in ARTICLE IV hereof;
 - (b) interest on any monies owing by the Corporation to the Holder hereunder, all as specifically calculated hereunder; and
 - (c) all other monies which may be owing by the Corporation to the Holder pursuant to this Debenture,
- (collectively, the “**Indebtedness**”).
- 2.2 **Payment.** The Corporation shall pay in cash on or before the Maturity Date the outstanding Indebtedness owing to the Holder in full unless the Corporation has received from the Holder a Conversion Notice pursuant to Section 4.1 hereof. However, notwithstanding the foregoing, the Corporation shall be permitted to repay the outstanding Indebtedness in whole or in part prior to the Maturity Date. If the Corporation proposes to repay all or any portion of the outstanding Indebtedness to the Holder, the Corporation shall furnish to the Holder written notice stating the proposed

amount for repayment. The Holder shall have seven calendar days from the delivery of such written notice to deliver to the Corporation a Conversion Notice advising the Corporation of the Holder's election to instead convert an amount that is equal to at least the proposed repayment amount in accordance with the provisions of Section 4.1. In the event that the Holder fails to deliver to the Corporation such a Conversion Notice within the said seven calendar days, the Holder shall accept the repayment by the Corporation of the amount proposed in cash.

- 2.3 **Non-Transferable.** This Debenture is not assignable, transferable or negotiable.

ARTICLE III **INTEREST**

- 3.1 **Calculation of Interest.** The Corporation shall pay interest on the outstanding Principal Amount, subject to the reduction of such Principal Amount from time to time by all prepayments as set out in Section 2.2 hereof and all exercises of the conversion rights set out in ARTICLE IV hereof, at the rate of 7% per annum. Subject to receipt of all required regulatory approvals, if any, the Corporation shall have the right to pay the interest then accrued but unpaid by delivering Common Shares, at the Market Price, in lieu of cash. Interest payable under this Debenture shall be payable on the Maturity Date.
- 3.2 **Overdue Interest.** All interest payable hereunder on becoming overdue shall be forthwith treated, as to the payment of interest thereon, as principal and thereafter shall bear interest calculated at the same rate and in the same manner as if it were principal. Overdue interest shall be payable forthwith without demand by the Holder.

ARTICLE IV **CONVERSION OF DEBENTURE**

- 4.1 **Conversion.** Subject to receiving all required regulatory approvals and compliance with all applicable laws, the Holder may, at its election, upon surrender (either in person, by mail (postage prepaid) or other means of delivery) of this Debenture along with a completed notice of conversion in the form attached hereto as Schedule "A" (the "**Conversion Notice**") at the principal office of the Corporation in Burnaby, British Columbia at any time after the Effective Date and on or prior to the Maturity Date, convert all or any portions of the Principal Amount ("**Holder Conversion**") from time to time at the Conversion Price. The delivery of the Conversion Notice duly executed by the Holder and the surrender of this Debenture shall be deemed to constitute a contract between the Holder and the Corporation whereby (i) the Holder subscribes for the number of Common Shares which the Holder shall be entitled to receive upon such Holder Conversion, (ii) the Holder releases the Corporation from all liability thereon or from all liability with respect to the portion of the Principal Amount converted, as the case may be, and (iii) the Corporation agrees that the surrender of this Debenture for Holder Conversion constitutes full payment of the subscription price for the Common Shares issuable on such Holder Conversion and that such Common Shares will be issued as fully paid and non-assessable Common Shares in the capital of the Corporation.

As promptly as possible after receipt of the Conversion Notice and this Debenture, but subject to Section 4.3 hereto, the Corporation shall issue or cause to be issued and deliver or cause to be delivered to the Holder a certificate or certificates in the name of the Holder for the number of Common Shares deliverable upon the Holder Conversion. Upon completion of the conversion transaction, the rights of the Holder to receive, in respect of the Principal Amount hereof so converted, the Principal Amount shall cease and the Holder shall be deemed to have become on such date the holder of record of such Common Shares represented thereby.

In the event that only a portion of the Principal Amount is subject to Holder Conversion, the Holder will be entitled to receive a replacement Debenture representing the Principal Amount not subject to Holder Conversion on substantially the same terms and provisions contained herein.

4.2 **Adjustment.**

(a) If and whenever the Corporation shall (i) subdivide or redivide the outstanding Common Shares into a greater number of Common Shares; (ii) reduce, combine or consolidate the outstanding Common Shares into a smaller number of Common Shares; or (iii) issue any Common Shares to the holders of all or substantially all of the outstanding Common Shares by way of a stock dividend, the number of Common Shares which may be acquired pursuant to this ARTICLE IV on and at any time after the effective date of such subdivision, redivision, reduction, combination or consolidation or on the record date for such issue of Common Shares by way of a stock dividend, as the case may be, shall be increased, in the case of the events referred to in (i) and (iii) above, in the proportion which the number of Common Shares outstanding before such subdivision, redivision or dividend bears to the number of Common Shares outstanding after such subdivision, redivision or dividend, or shall be decreased, in the case of the events referred to in (ii) above, in the proportion which the number of Common Shares outstanding before such reduction, combination or consolidation bears to the number of Common Shares outstanding after such reduction, combination or consolidation, and in each case the Conversion Price at which the Holder Conversion shall occur will be adjusted appropriately to reflect the change in the number of Common Shares that become issuable under this ARTICLE IV. Any such issue of Common Shares by way of a stock dividend shall be deemed to have been made on the record date fixed for such stock dividend for the purpose of calculating the number of outstanding Common Shares under this Subsection 4.2(a) or Subsection 4.2(c).

(b) In the case of any reclassification of, or other change in, the outstanding Common Shares other than a subdivision, redivision, reduction, combination or consolidation, subject to the approval of the TSXV, the Holder shall be entitled to receive upon conversion pursuant to ARTICLE IV, and shall accept in lieu of the number of Common Shares to which it was theretofore entitled upon such conversion, the kind and amount of shares and other securities or property which the Holder would have been entitled to receive as a result of such reclassification if, on the effective date thereof, it had been the registered holder of the number of Common Shares to which it was theretofore entitled upon conversion. If necessary, appropriate adjustments shall be made

in the application of the provisions set forth in this ARTICLE IV with respect to the rights and interests thereafter of the Holder to the end that the provisions set forth in this ARTICLE IV shall thereafter correspondingly be made applicable as nearly as may be possible in relation to any shares or other securities or property thereafter deliverable upon the conversion of any Debenture. Any such adjustments shall be made by and set forth in a supplemental certificate approved by the Directors and shall for all purposes be conclusively deemed to be an appropriate adjustment, after reasonable consultation with the Holder.

(c) If and whenever the Corporation shall issue or distribute to all or substantially all the holders of Common Shares (i) shares of the Corporation of any class; (ii) rights, options or warrants (that shall not have expired unexercised, unconverted or unexchanged at the time the Holder converts this Debenture, in whole or in part); (iii) evidences of indebtedness; or (iv) any other assets or securities, and if such issuance or distribution does not result in an adjustment as provided for in Subsection 4.2(a) or Subsection 4.2(b), subject to the approval of the TSXV, the Conversion Price shall be adjusted effective immediately before the record date at which the holders of Common Shares are determined for purposes of any such issuance or distribution as aforesaid in such manner as the Directors determine to be appropriate on a basis consistent with this Section 4.2.

(d) If, at any time, the Holder exercises its conversion rights before the record date and before the occurrence of an event for which this Section 4.2 requires that an adjustment shall become effective immediately before the record date for such event, the Corporation may defer issuing to the Holder the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event until the occurrence of such event. In the event of such an adjustment, the Corporation shall deliver to the Holder an appropriate instrument evidencing the Holder's right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares declared in favour of the holders of Common Shares on and before the date of conversion or such later date as such holder would, but for the provisions of this Section 4.2, have become the holder of record of such additional Common Shares.

(e) If a dispute shall at any time arise with respect to adjustments of the Conversion Price or the number of Common Shares issuable upon the conversion of this Debenture, such disputes shall be conclusively determined by the auditors of the Corporation or if they are unable or unwilling to act, by such other firm of independent chartered accountants accredited by the Canadian Public Accountability Board as may be selected by the Directors and any such determination shall be conclusive evidence of the correctness of any adjustment made pursuant to Section 4.2 hereof and shall be binding upon the Corporation and the Holder.

- 4.3 **No Fractional Common Shares.** Notwithstanding anything herein contained, the Corporation shall in no case be required to issue fractional Common Shares or to pay any cash adjustment in lieu of any fractional Common Share upon the conversion of this Debenture. Any fractions will be rounded down to the nearest whole number.
- 4.4 **Reservation of Common Shares.** The Corporation shall at all times while the Debenture remains outstanding, reserve and keep available out of its authorized but unissued share capital, for the purpose of effecting the conversion of this Debenture, such number of Common Shares as shall from time to time be sufficient to effect such conversions.
- 4.5 **Forced Conversion.** If at any time after the Effective Date and prior to the Maturity Date the weighted average trading price per Common Share for any seven consecutive trading day period is equal to or greater than \$0.20 (the “**Condition Precedent**”), the Corporation shall have the option, subject to receiving all required regulatory approvals, if applicable, to require conversion at the Conversion Price of all or any part of the Principal Amount of the Debenture then outstanding. The Corporation may cause the forced conversion of the applicable Principal Amount of the Debenture by delivering a written notice (the “**Notice**”) to the Holder, which Notice shall specify the Principal Amount of the Debenture to be converted and the Conversion Price in effect on the date of delivering such Notice. The Principal Amount of the Debenture specified in the Notice shall be converted at the Conversion Price as of the date of delivery of such Notice to the Holder. Within five Business Days after receiving such Notice, the Holder shall surrender the Debenture to the Corporation and the provisions of Section 4.1 shall apply *mutatis mutandis* to the conversion. In the event that the regulatory authorities require the Common Shares that would be subject to the forced conversion not be entitled to voting rights, then the Corporation shall not be entitled to enforce this section 4.5 until such restriction is removed.
- 4.6 **Entitlement to Vote.** If any Conversion will result in the Holder holding, through beneficial ownership of, or control or direction over, directly or indirectly, together with its affiliates, in excess of 19.99% of the voting securities of the Corporation, the Holder will not be entitled to vote those Common Shares in excess of 19.99% until such time as the Corporation is able to obtain shareholder approval permitting such Common Shares to be voted.

ARTICLE V **COVENANTS**

- 5.1 **Corporation Covenants.** The Corporation hereby covenants and agrees:
- (a) to use commercially reasonable efforts to forthwith obtain such regulatory approvals as may be necessary for the Corporation to issue the Common Shares upon any conversion under ARTICLE IV;
 - (b) to use commercially reasonable efforts to maintain the listing of the Common Shares on the TSXV during the term of this Debenture; and

(c) to use commercially reasonable efforts to obtain shareholder approval as contemplated in section 4.6.

ARTICLE VI

HOLDER ACKNOWLEDGEMENT AND COVENANT

6.1 **Acknowledgement**. The Holder, by accepting this Debenture, acknowledges, covenants and agrees as follows:

(a) that this Debenture and the Common Shares to be issued upon conversion of this Debenture are subject to resale restrictions imposed under applicable securities laws and the rules of regulatory bodies having jurisdiction;

(b) that a legend may be placed on the certificates representing this Debenture and the Common Shares to the effect that the securities represented by the certificates are subject to a hold period that may be indefinite and may not be traded until the expiry of such hold period except as permitted by applicable securities legislation;

(c) it agrees not to resell this Debenture, and agrees not to resell the Common Shares issued upon conversion of this Debenture except in accordance with the provisions of applicable securities legislation;

(d) it is acquiring this Debenture and any Common Shares to be issued upon the Holder Conversion as principal for its own account and not for the benefit of any other person and for investment only and not with a view to the resale or distribution of all or any of the Debenture or the Common Shares;

(e) if required, it will promptly complete, sign and file a Form 4C Corporate Placee Registration Form with the TSXV; and

(f) it will not exercise any right of conversion under this Debenture, including the Holder Conversion, unless and until the Corporation and the Holder have received all required regulatory approvals, including the TSXV having accepted for filing in relation to the Holder any required Personal Information Form or related Declaration in the forms specified by the TSXV.

ARTICLE VII

DEFAULT

7.1 **Acceleration of Maturity on Default**. Upon the happening of any one or more of the following events (herein sometimes called “**Events of Default**”) namely:

(a) if the Corporation does not pay when due the Indebtedness or other amount payable by it under this Debenture at the place and in the currency in which such amount is expressed to be payable;

(b) if the Corporation fails to observe or defaults under any covenant or agreement of the Corporation set out in this Debenture, provided that failure to obtain

regulatory approval as contemplated in section 5.1(a) shall not constitute an Event of Default;

(c) if, other than at the initiation of the Holder, the Corporation makes a general assignment for the benefit of creditors; or any proceeding is instituted by it seeking relief as debtor, or to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition of it or its debts or for an order for similar relief under any law relating to bankruptcy, insolvency, reorganization or relief of debtors (including under any statutes relating to the incorporation of companies) or seeking appointment of a receiver or trustee, or other similar official for it or for any substantial part of its properties or assets; or any corporate or partnership action is taken to authorize any of the actions referred to in this Subsection 7.1(c);

(d) if, other than at the initiation of the Holder, any proceedings are instituted against the Corporation seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition of it or its debts or an order for similar relief under any law relating to bankruptcy, insolvency, reorganization or relief of debtors (including under any statutes relating to the incorporation of companies) or seeking appointment of a receiver, trustee or other similar official for it or for any substantial part of its properties or assets;

(e) if, other than at the initiation of the Holder, any proceedings with respect to the Corporation are commenced under the *Companies' Creditors Arrangement Act* (Canada); or

(f) if the Corporation takes any corporate proceedings for its dissolution, liquidation or if the corporate existence of the Corporation shall be terminated by expiration, forfeiture or otherwise, or if the Corporation ceases or threatens to cease, to carry on all or a substantial part of its business;

then in each and every such event, the amount of the Indebtedness shall forthwith become immediately due and payable to the Holder, anything herein contained to the contrary notwithstanding, and the Corporation shall forthwith pay to the Holder the amount of the Indebtedness and all other moneys payable under the provisions hereof and interest from the date of the said Event of Default until payment is received by the Holder, and any moneys so received by the Holder shall be applied in the manner provided in Section 10.1.

7.2 **Waiver of Corporation's Rights.** To the full extent that it may lawfully do so, the Corporation for itself and its successors and assigns hereby waives and disclaims any benefit of, and shall not have or assert any right under, any statute or rule of law pertaining to the marshalling of assets, discussion, division or other matter whatever, to defeat, reduce or affect the rights of the Holder under the terms of this Debenture.

ARTICLE VIII
WAIVER

- 8.1 **Waiver.** The Holder may waive any breach of any of the provisions contained in this Debenture or any default by the Corporation in the observance or performance of any covenant, condition or obligation required to be observed or performed by it under the terms of this Debenture. No waiver, consent, act or omission by the Holder shall extend to or be taken in any manner whatsoever to affect any other or subsequent breach or default or the rights resulting therefrom and no waiver or consent by the Holder shall bind the Holder unless it is in writing. The inspection or approval by the Holder of any document or matter or thing done by the Corporation shall not be deemed to be a warranty or holding out of the adequacy, effectiveness, validity or binding effect of such document, matter or thing or a waiver of the Corporation's obligations.

ARTICLE IX
SECURITY

- 9.1 **Security.** This Debenture shall be a Secured Convertible Debenture. The Corporation, as security for payment of the Indebtedness and performance of all obligations hereunder, hereby grants to the Holder a fixed and specific first-ranking mortgage, charge, encumbrance, lien and security interest (the "**Security Interest**") in the 144,777,333 common shares of Australian Renewable Fuels Limited (the "**ARW Shares**") in favour of the Holder, subject to section 9.2. The Corporation hereby agrees to grant to the Holder such security agreements, mortgages and other security documents as the Holder may reasonable require to create the first priority Security Interest in or to the ARW Shares. The Corporation hereby covenants and agrees that it will not pledge, hypothecate or transfer the ARW Shares, provided that the Corporation may sell the ARW Shares after six months after the Effective Date, or earlier if agreed in writing by the Holder, provided the proceeds are used to facilitate the repayment of this Debenture.
- 9.2 **Security Interest Pro-Rata.** The Security Interest is subject to Articles 2 and 4 and the number of ARW Shares subject to the security interest will be adjusted pro-rata in the event of repayment or conversion, as applicable.
- 9.3 **Recourse.** The Holder acknowledges and agrees that, in the Event of a Default by the Corporation under this Debenture, the Holder's sole recourse shall be to the Corporation's interest in ARW Shares.
- 9.4 **ARW Rights Offering.** If, prior to the Maturity Date, Australian Renewable Fuels Limited issues securities by way of a rights offering to holders of its ordinary shares, if the Corporation elects not to participate in the rights offering in respect of the ARW Shares, then the Corporation shall use all commercially reasonable steps to facilitate the Holder to participate in the rights offering for the applicable ARW Shares.

ARTICLE X
OTHER RIGHTS OF THE HOLDER

- 10.1 **Rights of Set-Off.** The Corporation acknowledges and agrees that the Indebtedness and the other obligations hereunder shall be paid, satisfied and discharged to the Holder without regard to such dealings as may from time to time occur as between any one or more of the Holder, the Corporation and any other person and without regard to such equities or rights of set-off or counterclaim which may from time to time exist between any one or more of the Holder, the Corporation or any other person, and that the Indebtedness and other obligations hereof shall be paid without regard to any equities between the Corporation and the Holder hereof or any set-off or cross-claims and the receipt of the Holder for the payment of the Indebtedness will be a good discharge to the Corporation in respect thereof.
- 10.2 **No Merger.** Neither the taking of any judgement nor the exercise of any rights hereunder shall operate to extinguish the obligation of the Corporation to pay the monies owing under this Debenture and shall not operate as a merger of any covenant in this Debenture, and the acceptance of any payment shall not constitute or create a novation, and the taking of a judgement or judgements under a covenant herein contained shall not operate as a merger of those covenants and affect the Holder's right to interest under this Debenture.

ARTICLE XI
ADMINISTRATIVE PROVISIONS

- 11.1 **Registered Holders.** The person in whose name this Debenture shall be registered shall be deemed and regarded as the owner and holder hereof for all purposes, and the payment to and/or receipt of the Holder for any Indebtedness shall be a good discharge of the Corporation for the same, and the Corporation shall not be bound to enter in the register notice of any trust or to enquire into the title of any Holder or to recognize any trust or equity affecting the title hereof save as ordered by some court of competent jurisdiction or as required by statute.

ARTICLE XII
MISCELLANEOUS

- 12.1 **Time.** Time shall be of the essence of this Debenture.
- 12.2 **Governing Law.** This Debenture shall be governed by, and construed in accordance with, the laws of the Province of British Columbia and the laws of Canada applicable therein but the reference to such laws shall not, by conflict of laws rules or otherwise, require the application of the law of any jurisdiction other than the Province of British Columbia. The Corporation and the Holder hereby irrevocably attorn to the jurisdiction of the Courts of the Province of British Columbia.
- 12.3 **Severability.** If any one or more of the provisions or parts thereof contained in this Debenture should be or become invalid, illegal or unenforceable, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to

be, severable therefrom and the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed.

- 12.4 **Headings.** The headings of the articles, sections, subsections and clauses of this Debenture have been inserted for convenience and reference only and do not define, limit, alter or enlarge the meaning of any provision of this Debenture.
- 12.5 **Binding Effect.** This Debenture and all of its provisions shall enure to the benefit of the Holder and its successors and shall be binding upon the Corporation and its successors and permitted assigns.

ARTICLE XIII NOTICE

- 13.1 **Notices.** Any notice required or permitted to be given under any of this Debenture or any tender or delivery of documents may be given by personal delivery or by facsimile or electronic transmission to the parties at the following addresses:

- (a) to the Holder at:

Wasabi Energy Limited
Level 9, 175 Collins Street,
Melbourne, VIC 3000, Australia

Attention: Alwyn Davey, Company Secretary
Telecopier: 61 3 9650 0066
Email: alwyn.davey@wasabienergy.com

With a copy to:

Attention: Diane Bettis, Chief Operating Officer
Email: diane@wasabienergy.com

- (b) to the Corporation at:

Lignol Energy Corporation
Unit 101 - 4705 Wayburne Drive
Burnaby, British Columbia V5G 3L1

Attention: Ross MacLachlan, President and CEO
Telecopier: 1 (604) 222-9801
Email: rmaclachlan@lignol.ca

Any notice or delivery shall be given as herein provided or to such other addresses or email or telecopier number or in care of such other person as a party may from time to time advise by notice in writing as aforesaid. The date of receipt of such notice or delivery shall be the date of actual delivery to the address specified if delivered or the

date of actual transmission to the email or telecopier number if emailed or telecopied, unless such date is not a Business Day, in which event the date of receipt shall be the next Business Day immediately following the date of such delivery or transmission.

IN WITNESS WHEREOF the Corporation has duly executed these presents as of the date first above by its duly authorized officer.

Per: “*Ross MacLachlan*”
Name: ROSS MACLACHLAN
Title: President and CEO

SCHEDULE "A"
CONVERSION NOTICE

TO: LIGNOL ENERGY CORPORATION (the "Corporation")

The undersigned registered holder of the Convertible Debenture No. 1 dated _____, 2012 (the "Debenture"), given by the Corporation, hereby subscribes for Common Shares of the Corporation, on the terms specified in the Debenture, to the extent of \$_____ of Principal Amount. The Debenture is hereby tendered to the Corporation and will, upon due issuance of the Common Shares aforesaid and, if required, any replacement Debenture for any portion of the Debenture not converted, be null and void.

The Common Shares subscribed for will be issued as set forth below and will be mailed or delivered to the address set forth below.

Capitalized terms not defined on this Conversion Notice have the meanings ascribed to them in the Debenture.

DATED this day of , 20 .

WASABI ENERGY LIMITED

By: _____
Name: _____
Title: _____

Print below the name and address in full of the Holder in whose name the Common Shares subscribed for are to be issued.

Name:	Wasabi Energy Limited
Address:	
Tax ID:	