

FAX

Company: Difference Capital Financial Inc.**TO:**

Name: ASX Market Announcements Office

Fax Number: +61 2 9347 0005

Date: September 8, 2015

of Pages: Fax #1 (3 pages)
(including cover sheet)**FROM:**

Name: Steven Russo

Contact Number: 1 416 649 5097

Subject: Form 603 - Notice of Substantial Initial Holder (ARW)

Urgent



Please Reply

Message:



September 8, 2015

ASX Market Announcements Office
Exchange Centre
20 Bridge Street
Sydney NSW 2000
Fax Number: +61 2 9347 0005

RE: AUSTRALIAN RENEWABLE FUELS LIMITED (ASX:ARW) – FILING OF FORM 603 – NOTICE OF INITIAL SUBSTANTIAL HOLDER

To whom it may concern:

We, Difference Capital Financial Inc. ("DCF"), are faxing the following documents relating to our shareholdings in Australian Renewable Fuels Limited ("ARW").

- Form 603 – Notice of substantial holder (2 pages); and
- Annexure A – supporting documentation relating to how DCF acquired its stake in ARW (10 pages).

By way of background, Lignol Energy Corporation ("LEC") originally held an approximate 21% interest in ARW (the "ARW Shares"). Pursuant to a court order, LEC was placed into receivership on August 29, 2014 and LEC's shares in ARW were subsequently transferred to the receiver. DCF, as a secured creditor of LEC, had the ARW Shares transferred to it from the receiver's account on or about June 4, 2015.

Please feel free to contact me if you have any questions or require any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read 'S Russo'.

Steven Russo
Vice President
Difference Capital Financial Inc.
130 Adelaide St. W, Suite 1010
Toronto, ON Canada M5H 3P5
srusso@differencecapital.com

Form 603

Corporations Act 2001

Section 671B

Notice of initial substantial holder

To Company Name/Scheme

Australian Renewable Fuels Limited

ACN/ARSN

09678218**1. Details of substantial holder (1)**

Name

ACN/ARSN (if applicable)

N/A

The holder became a substantial holder on

04/06/2015**2. Details of voting power**

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
<u>Ordinary fully paid shares</u>	<u>8,977,522</u>	<u>8,977,522</u>	<u>21.4%</u>

3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities

4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
<u>Offshore Capital Financial Inc.</u>		<u>Offshore Capital Financial Inc.</u>	<u>8,977,522</u>

Ordinary Fully Paid Shares**5. Consideration**

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)		Class and number of securities
		Cash	Non-cash	

Please refer to Annexure "A"

6. Associates

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

Name and ACN/ARSN (if applicable)	Nature of association
N/A	

7. Addresses

The addresses of persons named in this form are as follows:

Name	Address
Diffe-onne Capital Financial Inc.	130 Adelaide St. W, Suite 1010, Toronto, Ontario, Canada M5H 3P5

Signature

print name

VICTOR DUONG

capacity

CFO

sign here



date

08/09/2015

DIRECTIONS

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
- (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
- (3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
- (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (7) Include details of:
 - (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
 - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).

See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
- (8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write "unknown".
- (9) Details of the consideration must include any and all benefits, money and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.

FAX

Company: Difference Capital Financial Inc.**TO:**

Name: ASX Market Announcements Office

Fax Number: +61 2 9347 0005

Date: September 8, 2015

of Pages: Fax #2 (10 pages)
(including cover sheet)**FROM:**

Name: Steven Russo

Contact Number: 1 416 649 5097

Subject: Form 603 - Notice of Substantial Initial Holder (ARW)☐ Urgent☐ Please Reply**Message:**

This is Annexure A of 131 pages referred to in Form 603 - Notice of Initial Substantial Holder

DIFFERENCE CAPITAL FINANCIAL INC.

Name: *VICTOR DUONG*
Title: *CEO*

No. S146537

Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

DIFFERENCE CAPITAL FINANCIAL INC., formerly known as
DIFFERENCE CAPITAL FUNDING INC.

Petitioner

AND

LIGNOL ENERGY CORPORATION.

Respondent

FIRST REPORT OF THE BOWRA GROUP INC. IN ITS CAPACITY AS
THE RECEIVER MANAGER OF LIGNOL ENERGY CORPORATION.

February 23, 2015

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**IN THE MATTER OF THE RECEIVERSHIP
OF LIGNOL ENERGY CORPORATION.**

TABLE OF CONTENTS

1. Purpose of the Report
2. Background
3. Receiver's Activities
4. Sale Process
- 5. Results of Sale Process
6. Status of Other Assets of LEC
7. The LIL Claims Process and Interim Distribution Order
8. Conclusion

Appendices

- A. Copy of Lignol Energy Corporation Receivership Court Order dated August 29, 2014
- B. Organizational Chart
- C. Copy of Lignol Innovations Ltd. Receivership Court Order dated October 16, 2014
- D. Copy of Territory Biofuels Ltd. Deed of Appointment of Receiver dated November 6, 2014
- E. Copy of entered Sale Approval and Vesting Order dated January 16, 2015
- F. Copy of entered Claims Process and Interim Distribution Order dated January 16, 2015

PURPOSE OF REPORT

1. Pursuant to an Order of the Supreme Court of British Columbia dated August 29, 2014 The Bowra Group Inc. (the "Bowra Group") was appointed Receiver Manager (the "Receiver") of the assets, undertakings and properties of Lignol Energy Corporation ("LEC"). A copy of the LEC Receivership Order is attached as **Appendix A**.
2. The purpose of this report is to provide the Court with a summary of our activities since our appointment as Receiver of LEC and recommend the interim distribution of funds to LEC's senior secured creditor.

BACKGROUND TO LEC'S RECEIVERSHIP PROCEEDINGS

3. LEC is a late stage research and development company located in Burnaby, B.C. LEC was focused on the development and commercialization of proprietary bio-refinery processes and biodiesel production through investments in subsidiary companies.
4. The assets of LEC consist mainly of investments in subsidiary companies with title to individual assets vested in the subsidiary companies. Specifically, at the time of its receivership, LEC owned the following investments:
 - 100% of Lignol Innovations Ltd. ("LIL"), a Canadian bio-refinery company;
 - 100% of Territory Biofuels Ltd. ("TBF"), an Australian biodiesel company that controls a decommissioned biodiesel production facility in Darwin, Australia;
 - a 21% interest in Australian Renewable Fuels Ltd. ("ARF"), an Australian biodiesel company actively in production;
 - a 20% interest in Neutral Fuels Parent Co., an international biodiesel company specializing in recycling of cooking oils; and
 - a 51% interest in Neutral Fuels (Melbourne) Pty Ltd., the Australian subsidiary of Neutral Fuels Parent Co.
5. A copy of the LEC organizational chart is attached as **Appendix B**.

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6. LEC had initially focused on advancing the commercialization of bio-refinery processes for conventional pulp and paper feed stocks through the activities of LIL and had relied extensively on capital markets and government grants to fund its operations.
7. In 2012 LEC changed its strategic focus and made investments in the Australian biodiesel industry acquiring TBF and equity positions in ARF, Neutral Fuels Parent Co. and Neutral Fuels (Melbourne) Pty Ltd. These investments, in particular the acquisition of TBF (which controlled an inactive biodiesel plant), were intended to allow LEC to eventually bring this asset into production and enter the Australian renewable fuel and biodiesel industry.
8. The ongoing carrying costs required to fund TBF and additional technical issues encountered with the re-start of the TBF plant created financial difficulties for LEC. The investment in Neutral Fuels (Melbourne) Pty Ltd. was also not successful and that entity was placed in Australian bankruptcy administration prior to LEC entering receivership.
9. Efforts by LEC to find a buyer or joint venture partner and raise additional working capital were also unsuccessful.

RECEIVER'S ACTIVITIES

10. On August 29, 2014 the Receiver took possession of the LEC premises and retained key management staff to assist in interim operations, continue negotiations with the current potential purchaser and assist with a sale process.
11. LEC had been in discussions with various parties regarding the possibility of a sale, joint venture or strategic investment for the 12 months prior to the receivership but was not successful in advancing any of these discussions.
12. At the time of the receivership, management of LEC was in preliminary discussions with a potential purchaser (the "Potential Purchaser") that had expressed interest in purchasing LEC as a going concern.
13. The Receiver determined that the Potential Purchaser's valuation and intention to purchase LEC as a going concern in its entirety represented the best initial outcome for the stakeholders of LEC. The Receiver continued discussions over the course of the next number of weeks and held extensive discussions and meetings with the Potential Purchaser, LEC's senior secured creditor and management. As these discussions

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progressed the Potential Purchaser's initial valuation and acquisition targets changed to focus on only the Australian operations of TBF. These discussions were ultimately abandoned when terms could not be reached.

14. Concurrently with the above discussions, the Bowra Group commenced a sales process aimed at realizing the best possible value for LEC's stakeholders through the sale of LEC's assets, including the sale of LEC's 100% equity interest in LIL and TBF.
15. Subsequently, in order to obtain the authority to deal directly with LIL's assets as opposed to LEC's interest in LIL's shares only, including the ability to seek an order vesting LIL's assets in a prospective purchaser free and clear of some or all of LIL's existing liabilities, the Bowra Group, in its capacity as the receiver of LEC, applied for and on October 16, 2014 obtained from the Supreme Court of British Columbia an order appointing the Bowra Group as receiver of LIL (the "LIL Receiver"). A copy of the LIL Receivership Order is attached as **Appendix C**.
16. In addition, the Bowra Group in its capacity as the receiver of LEC appointed McGrath Nicol as Receiver and Manager of TBF on November 6, 2014 pursuant to an Australian GSA. A copy of the TBF Deed of Appointment of Receiver is attached as **Appendix D**.

SALES PROCESS

17. The Receiver prepared a Request for Offer to Purchase package ("ROP") for the assets of LEC and commenced a sales process on October 16, 2014. The sales processes for the assets of LIL and TBF were conducted concurrently within their respective receivership proceedings.
18. The ROP prepared by the Receiver described, among other things:
 - the nature of LEC's, LIL's and TBF's business and assets;
 - the form of purchase and sale agreement for the assets proposed by the Receiver; and
 - the deadline for the submission of offers, initially set at November 30, 2014.

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19. The Receiver marketed the ROP on its website and ran advertisements in the business section of the following publications:

- National Post
- The Australian
- The Australian Financial Review
- Biofuels Digest

20. In addition, the Receiver directly contacted 82 potential purchasers.

21. 45 of the 82 parties initially contacted expressed further interest and requested a ROP.

22. 12 of the 45 parties who received a ROP entered into negotiations with the Receiver and reached terms on a confidentiality agreement. These parties were provided access to a data room that had been set up prior to LEC's receivership to facilitate due diligence by interested parties.

23. The Receiver and the management team assisted potential purchasers as they conducted due diligence by answering enquiries, holding conference calls, and facilitating site visits and tours of LIL's pilot plant.

RESULTS OF SALES PROCESS

24. As of November 30, 2014 the Receiver had received 7 offers, however, none of the offers received contemplated purchasing any of the assets of LEC directly, including the shares of either LIL or TBF.

25. All of the offers received contemplated the purchase of the assets of LIL only, free and clear of liabilities through a vesting order. The LIL Receiver continued negotiations with these parties.

26. A multinational pulp and paper company ultimately put forth the best offer. The resulting purchase and sale agreement resulted in a purchase price for LIL's assets of \$5.5 million (the "LIL Sale Proceeds"). The transaction was supported by LEC's senior secured creditor

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and received Court approval on January 16, 2015. The transaction closed on January 30, 2015. A copy of the entered Sale Approval and Vesting Order is attached as **Appendix E**.

STATUS OF OTHER ASSETS OF LEC

27. McGrath Nicol, an Australian insolvency firm, is currently attempting to realize on the assets of TBF.
28. The assets are situated on leased land owned by Vopak Terminals Australia Pty Ltd. ("Vopak"), a liquid products storage company. In order to remove or sell the assets any purchaser requires the cooperation of Vopak. To date that has not been forthcoming.
29. At this time minimal interest has been expressed in TBF. McGrath Nicol will continue their efforts to liquidate the assets. However, should they not succeed the assets will likely have to be abandoned.
30. LEC holds an approximate 21% Interest In ARF (8,977,523 shares).
31. ARF is a publically traded company on the Australia Securities Exchange (ASX). The stock is currently trading at AUD \$0.09 / share.
32. The Receiver is transferring those shares into an account held with the Receiver and will either liquidate the shares or transfer them to the secured lender at a future date.
33. LEC has a 51% investment in Neutral Fuels (Melbourne) Pty Ltd. and an approximate 20% investment in Neutral Fuels Parent Co.
34. Neutral Fuels (Melbourne) Pty Ltd. implemented a used cooking oil recycling program for McDonalds restaurants in the Australian market modeled on the technology and operations of Neutral Fuels Dubai LLC, a company with common ownership.
35. This venture was not successful and Neutral Fuels (Melbourne) Pty Ltd. was assigned into administration (bankruptcy) in Australia by its board of directors on July 14, 2014. The Receiver has contacted the administrators and based on this correspondence understands that there is a low probability of any future recovery on LEC's investment.
36. Neutral Fuels Parent Co. is a Cayman Island domiciled company which owns 49% of Neutral Fuels Dubai LLC and 49% of Neutral Fuels (Melbourne) Pty Ltd. Neutral Fuels

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Dubai LLC is currently operating in Dubai. The Receiver is in the process of determining if any realization is available on these investments.

37. The Receiver will continue to make efforts to realize on LEC's investments in TBF, ARW, Neutral Fuels Parent Co. and Neutral Fuels (Melbourne) Pty Ltd.

THE LIL CLAIMS PROCESS AND INTERIM DISTRIBUTION ORDER

38. In order to facilitate the distribution of the LIL Sales Proceeds the LIL Receiver applied to this Court for approval of a Claims Process (the "Claims Process") to determine the nature and amount of claims against LIL. A copy of the Claims Process and Interim Distribution Order (the "Claims Process Order") is attached as **Appendix F**.
39. The claims bar date in the Claims Process Order was February 13, 2015. Claims filed with and admitted by the LIL Receiver in the Claims Process totaled \$15.4 million in unsecured claims. No secured claims were submitted in the Claims Process nor are there any secured claims reported on the books and records of LIL.
40. The largest claim against LIL was LEC's claim for approximately \$14.9 million in respect of monies advanced by LEC to LIL to fund LIL's operations.
41. The LIL Receiver made a partial interim distribution of the LIL Sales Proceeds to LIL's creditors pursuant to paragraph 27 of the Claims Process Order with the largest single distribution being a payment to LEC in the amount of \$4.8 million.
42. Difference Capital Financial Inc. ("Difference Capital") is the senior secured creditor of LEC. Based on realizations to date and future estimated realizations on the remaining assets Difference Capital will suffer a significant shortfall on its secured interest of approximately \$13.1 million.
43. The Receiver is of the view that it is reasonable and appropriate to distribute the \$4.8 million that has been paid to LEC pursuant to the Claims Process Order to Difference Capital. Given Difference Capital's senior secured position and the value of its security in LEC, the Receiver is not aware of any prejudice to LEC's stakeholders that would result from such a distribution.

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CONCLUSION

44. The Receiver hereby submits its report to the Court and respectfully requests that the Court authorize the Receiver to:

- Distribute funds received from the LIL Claims Process to LEC's senior secured creditor, Difference Capital; and
- Make such further partial interim distributions of funds to Difference Capital from the realization of LEC's remaining assets, if any, in such amounts and circumstances as the Receiver deems to be reasonable and appropriate.

45. The Receiver marketed the assets of LEC contacting 82 parties, sending out 42 ROP's and entering into confidentiality agreements with 12 parties to facilitate in depth due diligence.

46. No offers were received for the assets of LEC, however the LIL Receiver was successful in completing a sale of the assets of LIL.

47. The proceeds from the sale of the assets of LIL have been distributed pursuant to the Claims Process Order, with LEC as the largest unsecured creditor receiving an interim distribution of approximately \$4.8 million.

48. The senior secured creditor of LEC is Difference Capital. Based on realizations to date and future estimated realizations on the remaining assets Difference Capital will suffer a significant shortfall.

49. The Receiver will continue to make efforts to realize on the other assets of LEC, which include:

- Investment in TBF assets;
- ARW shares;
- Investment in Neutral Fuels Parent Co.; and
- Investment in Neutral Fuels (Melbourne) Pty Ltd.

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50. All of which is respectfully submitted this 23rd day of February, 2015.

The Bowra Group Inc.

Receiver of the assets, undertakings
and properties of Lignol Energy Corporation Ltd.

Per: 
Doug Chivers, CA CIRP