

ASX

# Announcement

15 August 2012

## Sale of 11% equity stake in Australian Renewable Fuels to Lignol and Change of Directors.

Wasabi Energy Limited (ASX:WAS, AIM: WAS, OTCQX: WSPLY) (“Wasabi”) is pleased to announce that it has entered into a sale and purchase agreement with Lignol Energy Corporation (TSXV:LEC), a Canadian-based advanced biofuels company, (“Lignol” or “LEC”) to sell 275,000,000 ordinary shares of Australian Renewable Fuels Limited (ASX: ARW) (“ARW”), for consideration of CAD\$4,265,770 (the “Share Acquisition”).

### Transaction Structure

The consideration consists of:

- CAD\$500,000 in cash
- 19 million LEC common shares issued at CAD\$0.08 per share for a total of CAD\$1,520,000 and
- A 10-month secured convertible debenture for CAD\$2,245,770 (the “Debenture”) convertible into LEC common shares at CAD\$0.15 per share. The provisions of the Debenture will include:
  - (i) Forced conversion should LEC’s common shares trade at or above CAD\$0.20 per share for 7 or more consecutive trading days;
  - (ii) An interest rate of 7%, payable in cash or LEC common shares at the market price on the payment date;
  - (iii) A provision that if the Debenture is converted and such conversion results in Wasabi beneficially holding or controlling over 19.99% of the common shares of LEC, Wasabi will not be entitled to vote those common shares in excess of 19.99% until approval from the shareholders of LEC permitting the voting of such shares is obtained; and
  - (iv) As the sole recourse of Wasabi in the event of a default under the Debenture by Lignol, Lignol will grant a first ranking security interest in 144,777,333 of the ARW shares purchased by Lignol as part of the Share Acquisition (subject to the right for LEC to sell such ARW shares to repay the Debenture after six months).

- The Private Placement and the Share Acquisition are expected to close the week of August 20, 2012.

On the closing of the Share Acquisition, Wasabi will hold approximately 19.2% of the issued and outstanding common shares of LEC (approximately 29.1% assuming conversion of the Debenture, with interest on the Debenture paid in cash, and the exercise of all currently existing outstanding stock options). Wasabi also retains approximately 21 million ordinary shares in ARW.

### **About Lignol**

Lignol is a Canadian company undertaking the development of biorefining technologies for the production of advanced biofuels, including fuel-grade ethanol, and other renewable chemicals from non-food cellulosic biomass feedstocks. Lignol have today announced a non-brokered private placement of up to 30 million common shares of the Company at CAD\$0.08 per common share to raise up to CAD\$2.4 million (the "Private Placement").

The lead investor in the Private Placement is Difference Capital Funding Inc. (TSXV: DCF) ("DCF"), a growth-oriented Canadian merchant bank, who is making a CAD\$1 million direct investment in LEC. "We recognize the inherent upside potential value in each of these two companies and especially with Lignol's value now diversified and underpinned with a meaningful stake in ARW", said DCF's Chief Executive Officer, Michael Wekerle. "To the extent ARW is successful executing on its business plan and ARW chooses to pay dividends or the value of the ARW shares increases, Lignol stands to benefit with access to cash to commercialize its patented technology."

### **Commenting on the Share Acquisition and Lignol's Private Placing:**

"Lignol has an impressive technology backed by an advanced pilot plant, a strong intellectual property portfolio and capable management team that we feel positions the Company to become a transformative participant in the emerging renewable fuels and chemicals industry," stated Wasabi Executive Chairman, John Byrne.

"The diversification of the asset base of Lignol, combined with the confidence of a new group of investors to strengthen our balance sheet, is a very positive development for Lignol shareholders,"

"This transaction will provide Lignol with cash and balance sheet assets with which to leverage new government funding in completing the remaining pilot plant in support of commercializing our technology". stated Ross MacLachlan, Lignol's CEO.

### **Change to Wasabi Energy Directors**

Wasabi Energy's business has evolved in the past 18 months from an investment company to having more emphasis on project execution and operation. During that period we have strengthened our senior management team with the appointment of Diane Bettess as COO. Stephen Morris, an executive director of Wasabi since 2006, was instrumental in developing Wasabi during its investment stage and through its transition into an operational phase. With the strengthened team in place Stephen has decided to leave the board of Wasabi and join the board of Lignol upon closing which is expected to take place during the week of 20 August.

In addition as part of this transition Dr Malcolm Jacques will now become Non-Executive Director with effect from 31 August.

Both Stephen and Malcolm have made a significant contribution to Wasabi Energy over a number of years and the board would like to thank them both for their continued support.

**For further information, please contact:**

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**About Lignol**

Lignol (TSXV: LEC) is a Canadian company undertaking the development of biorefining technologies for the production of advanced biofuels, including fuel-grade ethanol, and other renewable chemicals from non-food cellulosic biomass feedstocks. Lignol's modified solvent based pre-treatment technology facilitates the rapid, high-yield conversion of cellulose to ethanol and the production of value-added biochemical co-products, including high purity HP-L™ lignins. HP-L™ lignin represents a new class of high purity lignin extractives (and their subsequent derivatives) which can be engineered to meet the chemical properties and functional requirements of a range of industrial applications that until now has not been possible with traditional lignin by-products generated from other processes. Lignol is executing on its development plan through strategic partnerships to further develop and integrate its core technologies on a commercial scale. Lignol also intends to invest in, or otherwise obtain, equity interests in energy related projects which have synergies with its biorefining technology. For more information please visit Lignol's website at [www.lignol.ca](http://www.lignol.ca).



**About Wasabi Energy**

Wasabi Energy Limited is listed on both the Australian Securities Exchange (ASX: *WAS*) and the AIM market in London (AIM: *WAS*) as well as American Depositary Receipts trading on OTCQX Market (OTCQX: *WSBLY*). Wasabi Energy is an emerging power producer that also invests in sustainable technologies. Its power business is based on the proprietary Kalina Cycle® power generation technology which utilises low grade, waste heat from industrial facilities or geothermal sources to produce electricity. In a typical industrial application of the Kalina Cycle® technology can increase energy efficiency in an industrial plant by up to 20%. Through its strategic investments Wasabi Energy owns a 79.2% interest in Aqua Guardian Group, the developer of the AquaArmour™ a water management, conservation and algal control product. Aqua Guardian Group also has a 22.7% interest in the air, water and minerals ASX listed company CleanTeq (ASX: *CLQ*). Wasabi Energy also owns a 12.2% interest in Australian Renewable Fuels, a separately ASX listed company (ASX: *ARW*) which produces liquid biofuels from a variety of non-food grade feedstocks.

Additional information:

[www.wasabienergy.com](http://www.wasabienergy.com)