

TERRAX INC.
(The “Corporation”)
FIXED CHARGE CONVERTIBLE
DEBENTURE DUE _____

WHEREAS the Corporation is indebted to the Holder in an amount equal to the Principal Amount together with interest thereon and other indebtedness of the Corporation to the Holder as herein set forth; and

WHEREAS the Holder has requested and the Corporation has agreed to grant this Debenture as general and continuing security for the full and timely payment and performance of the obligations of the Corporation herein set forth, including but without limitation, the repayment of the Principal Amount together with interest thereon and other indebtedness of the Corporation to the Holder as herein set forth;

NOW THEREFORE THIS DEBENTURE WITNESSETH THAT:

ARTICLE 1
INTERPRETATION

1.01 For the purpose of this Debenture and all schedules attached hereto, unless the subject matter or context is inconsistent therewith:

- (a) “Common Shares” means one issued and outstanding common share in the capital stock of the Corporation;
- (b) “Conversion Date” shall have the meaning as described in Clause 8.03 hereof;
- (c) “Conversion Price” means the price at which the Principal Amount of this Debenture is convertible into Common Shares of the Corporation as more particularly described in Clause 8.01 hereof;
- (d) “Corporation” means Terrax Inc. and its permitted successors and assigns;
- (e) “Debenture”, “this Debenture”, “The Debenture”, “hereto”, “herein”, “hereby”, “hereunder”, “hereof” and similar expressions refer to this fixed charge convertible debenture, due _____ in the Principal Amount represented hereby and not to any particular article, section, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto and every debenture issued in replacement hereof;
- (f) “Default” or “Event of Default” means an Event of Default as described in Clause 15.01 hereof;

- (g) “Director” means a director of the Corporation for the time being and “directors” or “board of directors” means the board of directors of the Corporation or, if duly constituted and whenever duly empowered, the executive committee of the board of directors of the Corporation for the time being and reference to action by the directors means action by the directors of the Corporation as a board or action by the said executive committee as such committee;
- (h) “Dollars” or “\$” means lawful currency of the US and all references to cash or money shall mean dollars in lawful currency of the US;
- (i) “Holder” means _____ or the persons or entities in whose name this Debenture shall be registered from time to time on the books of the Corporation, kept for that purpose in accordance with the terms of this Debenture, and for the purpose hereof, the holder or holders hereof shall rank, as between one another on a *pari passu* and equal basis as to all rights hereunder;
- (j) “Obligations” shall mean any and all present and future indebtedness and all performance obligations which may at any time be due and owing by the Corporation to the Holder under this Debenture or the Pledge Agreement and all other agreements, instruments and documents now or hereafter executed by or on behalf of the Corporation with respect to any of the foregoing, or any of the transactions contemplated thereby, whether now in existence or incurred hereafter, whether incurred directly or incurred by others and assumed by the Corporation, whether such indebtedness is absolute or contingent, matured or unmatured, direct or indirect, and whether the Corporation is liable for such indebtedness as principal, surety, endorser or otherwise;
- (k) “Permitted Encumbrances” means, as of any date, any of the following:
- (i) liens or taxes, assessments or governmental charges:
 - a. not at such date due or delinquent; or
 - b. the validity of which the Corporation shall be contesting in good faith and in respect of which:
 - (1) an amount in cash sufficient to pay such taxes, assessments or charges shall have been deposited with a court, a taxing or assessing authority or the Holder; or
 - (2) a surety bond, satisfactory to the Holder, for such amount shall have been deposited with the Holder;
 - (ii) the lien of any judgment rendered, or of any claim filed, against the Corporation which the Corporation shall be contesting in good

faith and in respect of which:

- a. an amount in cash sufficient to pay such judgment or claim shall have been deposited with a court or the Holder; or
 - b. a surety bond, satisfactory to the Holder, for such amount, shall have been deposited with the Holder;
- (iii) any other lien, the validity of which is being contested in good faith and where the Corporation has deposited;
- a. with the court of the Holder, an amount in cash sufficient to pay the same in full;
 - b. with the Holder, a surety bond, satisfactory to the Holder, for such amount;
- (l) "Pledge Agreement" means the Pledge Agreement (the "Stand-by Commitment"), dated as of the same date as this Debenture, executed and delivered by the Holder in favor of the Corporation;
- (m) "Principal" or "Principal Amount" means the principal sum of \$_____ (dollars) or such part thereof which remains outstanding and unpaid from time to time;
- (n) "Receiver" means a receiver appointed pursuant to Clause 16.06 hereof and includes a receiver-manager;
- (o) "Redemption Date" shall have the meaning as described in Clause 27.01 hereof;
- (p) "Unit" means one common share of the Corporation entitling the holder to acquire an additional common share in the capital of the Corporation in accordance with the terms of conversion as set out in Clause 8.01 hereof;
- (q) "Warrant" means the right of the holder hereof to acquire an additional common share of the Corporation in accordance with the terms set out in Clause 8.01 hereof.

1.02 Time shall be of the essence hereof.

1.03 This Debenture shall in all respects be subject to and be interpreted and construed in accordance with laws of the state of Nevada.

1.04 The division of this Debenture into sections, sub-sections, clauses, sub-clauses, and paragraphs in the provisions of headings for all or any thereof is for convenience or reference only and not for the construction or interpretation of this Debenture.

1.05 In this Debenture, unless there is something in the subject matter or context inconsistent therewith, words importing the singular shall include the plural and vice versa; and words importing gender shall include the masculine, feminine and neuter genders.

1.06 (a) This Debenture may not be assigned by the Corporation, without the prior written consent of the Holder, which consent shall not be unreasonably or arbitrarily withheld.

(b) This Debenture shall enure to the benefit of and be binding upon the respective successors and permitted assigns of the Corporation and the Holder.

1.07 If a provision of this Debenture is wholly or partially invalid, this Debenture shall be interpreted as if the invalid provision had not been a part hereof.

ARTICLE II REPAYMENT

2.01 The Corporation hereby acknowledges and confirms itself to be indebted to the Holder and promises to pay to the Holder, the Principal Amount in lawful money of the US, on or before _____, or on such earlier date as the Principal Amount hereby secured may become payable hereunder and in the meantime promises to pay interest on the principal Amount at the rate and times as hereinafter set forth, and should the Corporation at any time make Default of its obligations or in the payment of any part or all of the Principal amount or interest, then to pay interest on the amount in default both before and after judgment at the same rate in like money at the same place on the same date.

2.02 All payments shall be made at _____, or such other place as the Holder may give notice of in accordance with the terms of this Debenture.

2.03 Except in the event that this Debenture is converted into Common Shares as hereinafter provided, interest shall be payable on the outstanding balance of the Principal Amount at the rate of 7% per annum, compounded semi-annually and payable after as well as before maturity, default and judgment with interest payable on overdue interest at the same rate.

2.04 Interest shall accrue from and including the date of advance and will be computed on the basis of a 365 day year. As interest becomes due hereunder, the Corporation will pay such interest at the Holder's office as contemplated by Clause 2.02 hereof.

2.05 The Corporation will pay interest annually on _____ of a year during the term of this Debenture from the date of execution of this Debenture.

2.06 The Holder shall, and the Corporation hereby irrevocably authorizes the Holder to apply all payments made by the Corporation against the Principal Amount, interest thereon and other monies which are payable by the Corporation under this Debenture in the following order: (i) interest payable hereunder and (ii) Principal Amount.

ARTICLE III AUTHORIZED ISSUE

3.01 The Corporation represents and warrants to and in favor of the Holder that this Debenture has been issued in accordance with resolutions of the directors of the Corporation, and all other matters and things have been done and performed so as to authorize and make the creation and issue of this Debenture and its execution and delivery legal, valid and binding in accordance with the constating documents of the Corporation and all other statutes and laws in that behalf, and this Debenture is given as security for unconditional and absolute payment of the Principal Amount, and all other monies entitled to the benefit of the security hereby created, with interest thereon at the rate aforesaid, payable in the manner and at the times and places hereinbefore set forth and also for security for the due performance of all obligations of the Corporation hereunder and for the purposes and subject to the conditions, provisions, covenants and stipulations herein expressed.

ARTICLE IV RELEASE AND DISCHARGE

4.01 Upon payment by the Corporation to the Holder of the Principal Amount, interest and all other monies secured by this Debenture and provided the security hereby constituted shall not have become enforceable, the Holder shall, within ten (10) days of being requested in writing by the Corporation to do so, deliver up this Debenture to the Corporation and shall, at the expense of the Corporation, release and discharge the security hereby constituted and execute and deliver to the Corporation such deeds or other documents as shall be requisite to release and discharge this Debenture and the security afforded hereby; provided, however, that this Debenture may be assigned, pledged, hypothecated or deposited by the Corporation as security for advances or loans to or for indebtedness or other obligations or liabilities of the Corporation and in such event this Debenture shall not be deemed to have been discharged or redeemed by reason of the account of the Corporation having ceased to be in debit balance during the period this Debenture remains to assigned, pledge, hypothecated or deposited.

ARTICLE V CONVERSION OF DEBENTURE

5.01 The Holder shall have the right, at its option, at any time and from time to time prior to maturity (such time and date in this Article V being referred to as the "Time of Expiry") in the manner hereinafter in this Article V provided, to convert the Principal Amount, in whole or in part, into Units in the capital stock of the Corporation where each Unit is comprised of one Common Share having the purchase price as follows:

- (a) if converted on or before _____, \$0.10 of the Principal Amount shall be converted into one Unit comprised of one Common Share up to a maximum of _____ Common Shares.

5.02 Such conversion shall be effected by the surrender of this Debenture in satisfaction of all or part of the Principal Amount so converted, at any time during usual business hours at the offices of the Corporation, and if so required by the Corporation, accompanied by a written instrument in form reasonably satisfactory to the Corporation.

5.03 Upon surrender as hereinbefore provided, the Holder shall be entitled to be entered in the books of the Corporation as at the Conversion Date, as hereinafter defined, as the holder of the number of Common Shares into which this Debenture is convertible in accordance with the provisions of this Article V and forthwith thereafter the Corporation shall: (i) pay to such Holder a proportionate part of the current interest due upon the Debenture, calculated up to the date on which the Debenture is surrendered for conversion; (ii) deliver or cause to be delivered to the Holder, its nominee(s) or assignee(s), a certificate or certificates representing the number of Common Shares into which this Debenture is converted; and (iii) if less than the entire Principal Amount of the Debenture is so converted, in exchange for the surrendered Debenture and without charge, deliver to the Holder a like Debenture for the Principal Amount of the Debenture remaining after conversion.

5.04 The Corporation shall not be required to issue fractional Common Shares.

5.05 The conversion of this Debenture shall be deemed to have been made at the close of business on the date (herein referred to as the "Conversion Date") on which the Debenture is surrendered for conversion, being the date on which it is received by the Corporation, and the Holder shall be treated, as between the Corporation and the Holder, as having become the holder of record of such Common Shares at that time.

5.06 The Conversion Price at which this Debenture is convertible and the number of Common Shares deliverable upon the conversion of this Debenture shall be subject to adjustment in the events and in the manner following:

- (a) If and whenever at any time prior to the Time of Expiry, the Corporation shall:
 - (i) subdivide or redivide its outstanding Common Shares into a greater number of Common Shares,
 - (ii) reduce, combine or consolidate the outstanding Common Shares into a smaller number of shares.

- (b) If and whenever at any time prior to the Time of Expiry, the Corporation shall fix a record date for the making of a distribution to all or substantially all of the holders of its outstanding Common Shares of:
- (i) shares of any class other than Common Shares and other than shares distributed to holders of Common Shares pursuant to their exercise of options to receive dividends in the form of such shares in lieu of dividends paid in the ordinary course on the Common Shares; or
 - (ii) rights, options or warrants
 - (iii) evidences of its indebtedness; or
 - (iv) assets (excluding dividends paid in the ordinary course):

then, in each such case, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date multiplied by the Current Market Price per Common Share on such record date, less the fair market value on a per share basis (as determined by the board of directors of the Corporation, acting reasonably, which determination shall be conclusive) of such shares or rights, options or warrants or evidences of indebtedness or assets so distributed, and of which the denominator shall be the total number of Common Shares outstanding on such record date multiplied by such Current Market Price per Common Share. Any Common Shares owned by or held for the account of the Corporation shall be deemed not to be outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed. To the extent that such distribution is not so made, the Conversion Price shall be readjusted to the Conversion Price which would then be in effect if such a record date had not been fixed or to the Conversion Price which would then be in effect based upon such shares or rights, options or warrants or evidences of indebtedness or assets actually distributed, as the case may be. In paragraph (iv) of this subsection (b) the term "dividends paid in the ordinary course" shall include the value of any securities or other property or assets distributed in lieu of cash dividends paid in the ordinary course at the option of shareholders.

- (c) For the purpose of any computation under subsection (c) of this Clause 5.04, the "Current Market Price" per Common share at any date shall be the weighted average price per share for the Common Shares for 10 consecutive trading days commencing not more than 10 trading days before such date on the principal stock exchange on which the Common Shares are listed as determined by the board of directors of the Corporation, or if the Common Shares are not listed on any stock

exchange, then on the principle over-the-counter market on which the Common Shares are traded. If there is no market for the Common Shares for the period during which the Current Market Price thereof would otherwise be determined, the Current Market Price in respect of any Common Share shall be determined by the current auditors of the Corporation, acting reasonably and in good faith. The weighted average price shall be determined by dividing the aggregate sale price of all Common Shares sold on the said exchange or market, as the case may be, during the said 10 consecutive trading days by the total number of Common Shares so sold.

- (d) In the case of any reclassification of, or other change in, the outstanding Common Shares of the Corporation other than a subdivision, redivision, reduction, combination or consolidation, the Conversion Price shall be adjusted in such manner as the current auditors of the Corporation, acting reasonably and in good faith determine to be appropriate on a basis consistent with this Article V.
- (e) In any case in which this Article V shall require than adjustment shall become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the Holder converting after such record date and before the occurrence of such event the additional Common shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that 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 favor of holders of record of Common shares on and after the Conversion Date or such later date as the Holder would, but for the provisions of this subsection (e) have become the holder of record of such additional Common Shares.
- (f) The adjustments provide for in this Article V are cumulative and shall apply to successive subdivisions, redivisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions of this Article V, provided that, notwithstanding any other provision of this Article V, no adjustment shall be made which would result in an increase in the Conversion Price (except on a combination or consolidation of the outstanding Common Shares) and no adjustment of the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; provided, however, that any adjustments which by reason of this subsection (f) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

- (g) In the event of any question arising with respect to the adjustments provided in this Article V, such question shall be conclusively determined by the auditors of the Corporation, acting reasonably and in good faith, whereby such auditors shall have access to all necessary records of the Corporation and such determination shall be binding upon the Corporation and the Holder.
- (h) If any of the events referred to in subsections (a) or (b) of this Clause 5.04 occur, the Corporation shall promptly deliver to the Holder a certificate signed by two officers of the Corporation, setting forth in reasonable detail the facts and the consequent adjustment required to be made by the provisions of this Debenture with respect to conversion of the Debenture.

5.07 The Corporation will reserve and there will remain unissued out of its authorized capital a sufficient number of Common Shares to fully satisfy the rights of conversion provided for herein.

5.08 In case the Corporation, after the date hereof, shall take any action affecting the Common Shares, other than any action described in this Article V, which in the opinion of the directors of the Corporation, acting reasonably and in good faith, would materially affect the conversion rights of the Holder of the Debenture, the Conversion Price shall be adjusted in such manner, if any, as determined by the auditors of the Corporation, in their discretion as they may reasonably determine to be equitable in the circumstances, but subject in all cases to any necessary regulatory approval.

5.09 If any Common Shares to be issued upon the conversion of this Debenture hereunder require any filing with or registration with or approval of any regulatory authority in the United States, including any stock exchanges on which securities of the Corporation are then listed, or compliance with any other requirement under any law of the United States or a state thereof before such shares may be validly issued upon such conversion or traded by the person to whom they are issued pursuant to such conversion, the Corporation will take all reasonable action as may be necessary to secure such filing, registration, approval or compliance as the case may be; provided that, in the event that such filing, registration, approval or compliance is required only be reason of the particular circumstances of or actions taken by any such person, the Corporation will not be required to take such action.

ARTICLE VI REGISTRATION

6.01 The Holder may register this Debenture and all instruments supplemental hereto at all offices where the registration or record thereof may be necessary or of advantage to the security hereby created or intended so to be, and will do, observe and perform all matters and things necessary or expedient to be done, observed or performed by virtue of any law of the United States or any state or municipality thereof, for the purpose of creating and maintaining the mortgage, charge and security interest hereby constituted as a valid and effective security.

6.02 The Holder may do, execute, acknowledge and deliver such financing statements, financing change statements and further assignments, transfer, documents, acts, matters and things (including further schedules hereto) as may be reasonably necessary in order to give effect to these presents.

6.03 The Corporation shall perform all such acts and execute any and all such documents and provide all such information as is requested by the Holder as is necessary to perfect the Holder's security interest in the Collateral.

ARTICLE VII FURTHER ASSURANCES

7.01 The Corporation will at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all and every such further acts, deed, mortgages, transfers and assurances in law as the Holder shall reasonable require for better assuring, mortgaging, assigning and confirming unto the Holder all and singular the undertaking and all of the property and assets of the Corporation hereby mortgaged or charged or intended so to be or which the Corporation may hereafter become bound to mortgage or charge to and in favor of the Holder and for the better accomplishing and effectuating of the intentions of this Debenture.

ARTICLE VIII REPRESENTATIONS AND WARRANTIES OF CORPORATION

- 8.01 The Corporation represents and warrants to the Holder as follows:
- (a) the Corporation is a corporation duly organized, legally existing and in good standing under the laws of the state of Nevada and is duly authorized to do business in each other jurisdiction where a failure so to qualify would have a materially adverse effect on the business or operations of the Corporation;
 - (b) The Corporation is duly authorized and empowered to execute, deliver and perform its obligations under this Debenture and all corporate action on the part of the Corporation for the due execution, delivery and performance by the Corporation of this Debenture has been duly and effectively taken;
 - (c) This Debenture constitutes valid and binding obligations of the Corporation, enforceable in accordance with their terms.

ARTICLE IX CONVENANTS OF THE CORPORATION

- 9.01 The Corporation covenants and agrees as follows:
- (a) to defend the Collateral against every person whomsoever claiming or attempting to claim against the or any part thereof;

- (b) to pay the Principal Amount and other monies hereby secured, together with other appurtenant charges thereon, in accordance with the terms hereof;
- (c) to carry on and continuously conduct its business in respect of the Collateral in a lawful, efficient, diligent and businesslike manner;
- (d) to keep and maintain proper books of account and records accurately covering all aspects of the business affairs of the Corporation and its subsidiaries, if any, relating to the Collateral and to permit authorized officers, employees or agents of the Holder to inspect the same during regular business hours;
- (e) to furnish annually to the Holder within one hundred and twenty (120) days after the end of each fiscal year of the Corporation audited financial statements of the Corporation together with the reports of its auditors hereon;
- (f) to furnish to the Holder, upon the request of the Holder, within ninety (90) days after the end of each quarter of its fiscal year unaudited financial statements of the Corporation of such quarter;
- (g) to fully pay and discharge as and when the same become due and payable all taxes (including local improvement rates), rates, duties and assessments that may be levied, rated, charged or assessed against the Corporation, or the Collateral, or any part thereof unless same is being contested in good faith, and if the Corporation fails to pay any of such taxes, rates, duties or assessments and if it is not in good faith contesting the same, the Holder may pay, but shall not be obligated to pay, the same and any amounts so paid by the Holder shall become and form part of the Principal amount secured hereby and shall bear interest at the rate aforesaid until paid;
- (h) to at all times promptly observe, perform, execute and comply with all applicable laws, rules, requirements, orders, directions, by-laws, ordinances, work orders and regulations of every governmental authority and agency whether federal, state, municipal or otherwise, including, without limiting the generality of the foregoing, those dealing with fire, access, the environment (whether for its protection, preservation, clean-up or otherwise), toxic materials or other environmental hazards, public health and safety, and all private covenants and restrictions affecting the Collateral or any portion thereof, and from time to time, upon request of the Holder;
- (i) to give notice to the Holder promptly of any Event of Default or of any event which with notice or lapse of time, or both, would constitute an Event of Default hereunder.

9.02 The Corporation shall not, without the prior written consent of Holder first had and received:

- (a) incur or become liable for any indebtedness when it is in default under this Debenture, except for current indebtedness incurred in the ordinary course of business of the Corporation;
- (b) guarantee the debts, liabilities or obligations of any person or become the endorser on any note or other obligation when it is in default under the terms of this Debenture.

ARTICLE X NON-PERFORMANCE OF COVENANTS

10.1 If the Corporation fails to perform any of its obligations contained in this Debenture, the Holder may itself perform any of the said obligations capable of being performed by it or make advances to perform the same on its behalf but shall be under no obligation to do so.

10.2 No performance or advance by the Holder under this Article V and no waiver under any provisions of this Debenture shall prejudice the rights of the Holder with regard to the Corporation in respect of any subsequent breach by the Corporation of the same or of any other covenant, and no such performance or advance shall relieve the Corporation from default unless the Corporation shall make good to the Holder the non-performance or the effect of such non-performance and shall repay all sums reasonably expended or advanced by the holder and interest thereon.

ARTICLE XI EVENTS OF DEFAULT BY THE CORPORATION AND ACCELERATION

11.01 Notwithstanding anything herein contained, in the event of an Event of Default, the entire Principal Amount and all interest either due or accruing due hereunder and other monies payable by the Corporation hereunder thereon shall become immediately due and payable with or without prior demand therefore. The occurrence of any one or more of the following events (herein called an "Event of Default") constitutes an Event of Default in respect of this Debenture, and the security hereby constituted shall become enforceable upon the occurrence of the following events or any one thereof.

- (a) Failure by the corporation to make due and punctual payments of the Principal Amount, interest thereon or any other monies secured hereby when and as the same become due and payable pursuant to the terms hereof and such failure or default persists after ten business days notice by the Holder to the Corporation requiring that the Corporation remedy, correct, desist or comply with same;
- (b) If the Corporation makes default in the observance or performance of any covenants, agreements or conditions herein on the part of the Corporation to be kept, observed and performed and such failure or default persists

- after ten business days notice by the Holder to the Corporation requiring that the Corporation remedy, correct, desist or comply with same;
- (c) If an order is made or an effective resolution is passed for the winding up of the Corporation or if a petition is filed for the winding up of the Corporation;
 - (d) If the Corporation becomes insolvent or makes an authorized assignment or bulk sale of its assets or if a petition in bankruptcy is filed or presented against the Corporation;
 - (e) If any proceeding with respect to the Corporation is commenced under The Companies' Creditors' Arrangement Act;
 - (f) If the Corporation ceases or threatens to cease to carry on its business or if the Corporation commits or threatens to commit any act of bankruptcy;
 - (g) If the Corporation shall permit any sum which has been admitted as due by the Corporation or is not disputed to be due by it and which forms or is capable of being made a charge upon any of the Collateral in priority to or *pari passu* with the charge created and secured by this Debenture to remain unpaid for thirty (3) days after proceedings have been taken to enforce the same as a charge upon the Collateral ranking in priority to or *pari passu* with the charge created and secured hereby; or
 - (h) If a receiver or receiver manager of any of the Corporation's undertaking or property is appointed.

11.02 The Holder may waive, in writing, any breach by the Corporation of any of the provisions contained in this Debenture or any default by the Corporation in the observance or performance of any covenant, agreement or condition required to be kept, observed or performed by the Corporation under the terms of this Debenture; provided always that no act or omission of the Holder in the premises shall extend to or be taken in any manner whatsoever to affect any subsequent breach of default or the rights of the Holder resulting therefrom.

ARTICLE XII ENFORCEMENT OF SECURITY

12.01 On Default, the Holder may proceed to enforce payment and exercise any and all of the rights and remedies of the Holder provided in various statutes of the state of Nevada, or similar legislation in such other jurisdictions as the Holder deems necessary, as well as any and all other rights and remedies possessed by the Holder according to any other agreement, law or this Debenture.

12.02 The Holder shall hold and apply monies which arise from any sale, calling-in, collection or conversion against the Principal Amount, interest and other

monies which are secured hereby in such order and to such indebtedness of the Corporation to the Holder.

ARTICLE XIII
NEGOTIABLE INSTRUMENT

13.01 This Debenture cannot be assigned by the Holder to any other person without the prior written consent of the Corporation, not to be unreasonably withheld.

ARTICLE XIV
NOTICES

14.01 Notice may be served on the Corporation and any demand for payment for any monies owing hereunder may be made upon the Corporation by sending such notice or demand through the post by prepaid registered letter or by fax, or by personal delivery addressed to the Corporation, and any notice or demand so mailed shall be deemed to have been received at the expiration of five (5) days after it is posted and twenty-four (24) hours if forwarded by fax or personal delivery. In computing the foregoing time, Saturdays, Sundays and holidays shall be excluded. Any such notice or demand may be served by delivery of such notice or demand in writing to the registered office of the Corporation.

ARTICLE XV
RETENTION OF REGISTER

15.01 The Corporation shall at all times, keep in its registered office at 2533 North Carson St, Carson City Nevada registration books in which there shall be entered the name and address of the Holder of this Debenture and in which transfer of this Debenture shall be registered, and which at all reasonable times, shall be open for inspection by the Holder.

ARTICLE XVI
IMMUNITY OF SHAREHOLDERS, OFFICERS & DIRECTORS

16.01 Subject to Clause 16.02 hereof, no recourse under or upon any obligation, covenant or agreement or this Debenture, or for any claim based thereon or otherwise in respect thereof, shall be had against any shareholder, officer or director as such, past, present or future of the Corporation, or of any successor corporation, either directly or through the Corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Debenture and the obligations issued hereunder are solely corporate obligations, and that no such personal liability whatsoever shall attach to, or is or shall be incurred by shareholders, officers or directors, as such, of the Corporation or of any successor corporation, or any of them, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Debenture, and that any and all such personal liability, either at common law or in equity or by constitution or statute, and any and all such rights and claims against every

such shareholder, officer or director, as such, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Debenture or implied therefrom, are hereby expressly waived and released as a condition of, and as a consideration for, the execution and issuance of this Debenture.

16.02 The provisions of Clause 16.01 shall have no force or effect whatsoever and cannot be relied on by any officer, shareholder or director who commits fraud, gross negligence, willful misconduct or intentional misrepresentation.

Signed at _____ this _____ day of _____, 2009

TERRAX INC.

President:

MURRAY C OWEN

(Date)

Holder:

Signature

Name

Address: _____

(Date)