Action No. 1001-13706

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE OF CALGARY

BETWEEN:

NILE CAPITAL I S.À.R.L., NILE CAPITAL II S. À.R.L., LUXOR CAPITAL PARTNERS, LP and LUXOR CAPITAL PARTNERS OFFSHORE MASTER FUND, LP

Plaintiffs

and

EARTHRENEW CORPORATION, EARTHRENEW, INC., EARTHRENEW IP HOLDINGS LLC, EARTHRENEW STRATHMORE 1 LP, EARTHRENEW STRATHMORE GENERAL PARTNER LTD., EARTHRENEW SOLUTIONS LP, EARTHRENEW OPERATIONAL EMPLOYEE LP, EARTHRENEW MANAGEMENT LP and EARTHRENEW MANAGEMENT GENERAL PARTNER LTD.

Defendants

STATEMENT OF CLAIM

THE PARTIES

1. Nile Capital I S.à.r.l. is a Luxemburg Société à responsabilité limitée..

2. Nile Capital II S.à.r.l. is a Luxemburg Société à responsabilité limitée..

3. Luxor Capital Partners, LP ("**Luxor Capital**") is a Delaware limited partnership.

4. Luxor Capital Partners Offshore Master Fund, LP ("**Luxor Master Fund**") is a Cayman Islands limited partnership.

5. EarthRenew is an Alberta corporation that produces organic matter fertilizer. EarthRenew was formerly named EarthRenew Organics Ltd. ("**Organics Ltd.**"). On January 1, 2010, its articles of incorporation were amended to change its name from "EarthRenew Organics Ltd." to "EarthRenew Corporation".

6. EarthRenew, Inc., a California Corporation, is a wholly-owned subsidiary of EarthRenew, and holds EarthRenew's intellectual property assets in the United States.

7. EarthRenew IP Holdings LLC, a Delaware limited liability company, is a wholly-owned subsidiary of EarthRenew and holds EarthRenew's intellectual property assets that are owned outside of Canada and the United States. Prior to changing its name to EarthRenew IP Holdings LLC was named Annona, LLC.

8. EarthRenew Strathmore 1 LP, an Alberta limited partnership, is wholly-owned by EarthRenew, and owns EarthRenew's plant located in Strathmore, Alberta.

9. EarthRenew Strathmore General Partner Ltd., an Alberta corporation, is wholly-owned by EarthRenew, and is the general partner of Strathmore LP.

10. EarthRenew Management General Partner Ltd., an Alberta corporation, is wholly-owned by EarthRenew, and is the general partner of the entities referenced in paragraphs 11 - 13 below.

11. EarthRenew Operational Employee LP, an Alberta limited partnership, is wholly-owned by EarthRenew.

12. EarthRenew Management LP, an Alberta limited partnership, is wholly-owned by EarthRenew.

13. EarthRenew Solutions LP, an Alberta limited partnership is wholly-owned by EarthRenew.

THE DEFENDANTS' INDEBTEDNESS TO THE PLAINTIFFS

14. EarthRenew issued a 5% convertible secured debenture dated January 4, 2010, bearing certificate number CSD-6 in the amount of US$2,744,349 in favour of Nile Capital I S.à.r.l. (the

"**Nile I Secured Debenture**"). The Nile I Secured Debenture matures at 4:30 p.m. (Calgary time) on September 30, 2011.

15. The Nile I Secured Debenture was initially issued to Luxor Capital pursuant to a secured debenture dated September 3, 2009, bearing certificate number CSD-3. It was transferred by Luxor Capital to Nile Capital I S.à.r.l. on January 4, 2010 and was re-issued by EarthRenew to Nile Capital I S.à.r.l. on this same date.

16. EarthRenew issued a 5% convertible secured debenture dated May 18, 2010, bearing certificate number CSD-7 in the amount of US$3,255,651 in favour of Nile Capital II S.à.r.l. (the "**Nile II Secured Debenture**"). The Nile II Secured Debenture matures at 4:30 p.m. (Calgary time) on March 31, 2011.

17. The Nile II Secured Debenture was initially issued to Luxor Capital Partners Offshore, Ltd. ("**Luxor Offshore**") pursuant to a secured debenture dated September 3, 2009, bearing certificate number CSD-4. It was transferred by Luxor Offshore to Nile Capital II S.à.r.l. on January 4, 2010 and was re-issued by EarthRenew to Nile Capital I S.à.r.l. on this same date.

18. EarthRenew issued a 5% convertible secured debenture dated August 12, 2010, bearing certificate number CSD-8 in the amount of US$228,696 in favour of Luxor Capital (the "**Luxor Capital Secured Debenture**"). It matures at 4:30 p.m. (Calgary time) on March 31, 2011.

19. EarthRenew issued a 5% convertible secured debenture dated August 12, 2010 bearing certificate number CSD-9 in the amount of US$271,304 in favour of Luxor Master Fund (the "**Luxor Master Fund Secured Debenture**"). It matures at 4:30 p.m. (Calgary time) on March 31, 2011.

20. The Nile I Secured Debenture, Nile II Secured Debenture, Luxor Capital Secured Debenture and Luxor Master Fund Secured Debenture (collectively, the "**Secured Debentures**") each provide as follows:

(a) EarthRenew shall pay to the holder of each of the Secured Debentures, on their respective maturity dates or on such earlier or later date as provided in the Secured Debentures, the principal amount of each of the Secured Debentures and interest thereon;

(b) the Secured Debentures may be converted by the holder of each one of the Secured Debentures to fully paid common shares in EarthRenew on the terms contained in the Secured Debentures;

(c) each one of the Secured Debentures earns interest at the rate of 5% *per annum*, compounded semi-annually, payable after as well as before maturity and after as well as before default and judgment, with interest on amounts in default at the same rate, payable on an accrued basis on the date interest is payable;

(d) interest is payable on the earlier of the date that each one of Secured Debentures matures or on the date that the Secured Debentures are converted, as the case may be;

(e) all references to currency are to dollars in the lawful currency of the United States; and

(f) the Secured Debentures shall be governed by the laws of the Province of Alberta or Canada, as applicable.

THE SECURITY GRANTED TO THE PLAINTIFFS

21. As security for the amounts payable pursuant to each one of the Secured Debentures (the "**Security**"), EarthRenew:

(a) mortgaged, charged and assigned to the holder of each one of the Secured Debentures, and its successors and assigns, and granted to the holder of each one of the Secured Debentures, a security interest in all of its present and after acquired Personal Property (as defined in each one of the Secured Debentures) and in each of its present and future Subsidiaries (as defined in each one of the Secured Debentures); and

(b) charged as and by way of a floating charge to and in favour to the holder of each one of the Secured Debentures, and its successors and assigns, all of its, and its present and future Subsidiaries (as defined in each one of the Secured Debentures), undertaking, real property and assets, both present and future, of every kind and nature, wherever situate.

22. The Secured Debentures further provide that:

(a) the Security shall rank at all times in priority to any other secured interest, charge and mortgage, save and except:

(i) for any security interests registered under the *Personal Property Security Act* (Alberta) (the "***PPSA***"), at the date that each one of the Secured Debentures was issued by EarthRenew; and

(ii) Permitted Encumbrances, as that term is defined in each one of the Secured Debentures; and

(b) the Security created by each one of the Secured Debentures is intended to attach:

(i) to the existing Charged Property (as defined in each one of the Secured Debentures as being the subject matter of the Security) on the date that EarthRenew signed the Secured Debentures; and

(ii) to the Charged Property subsequently acquired by EarthRenew, immediately upon EarthRenew acquiring rights to such property.

23. Each one of the Secured Debentures provides that upon the occurrence of an event of a default by EarthRenew of its obligations to the holders of the Secured Debentures ("**Event of Default**"), the entire outstanding principal and interest owing pursuant to the Secured Debentures shall be accelerated and shall be due and owing, and the Security shall become enforceable. Once the Security has become enforceable, the holder of the Secured Debentures may realise upon the Security and, to the extent permitted by law, enforce its rights by the remedies set out in the Secured Debentures including, among other things:

(a) entry into possession;

(b) commencing court proceedings to appoint a receiver or a receiver-manager of all or any part of the Charged Property;

(c) commencing court proceedings to sell, foreclose or lease all or any part of the Charged Property; and

(d) exercise to any other remedy authorised or permitted in the Secured Debentures or by law and equity.

24. The following events, among others, constitute an Event of Default:

(a) defaults in repayment of the principal amount or interest on the Secured Debentures;

(b) ceasing to carry on in the ordinary course its business or a substantial part thereof;

(c) failing to comply with the covenants contained in the Secured Debentures;

(d) failing to pay any indebtedness in excess of US$500,000, or its equivalent in another currency, when due;

(e) defaulting under any other agreement or instrument relating to an indebtedness in excess of US$500,000, with the effect of such default or event being to accelerate the maturity of such indebtedness, or permit the holder to accelerate the maturity of such indebtedness after having given notice of such default or event, and such default or event has not been remedied by EarthRenew within any time permitted; and

(f) if any indebtedness in excess of US$500,000 shall be declared to be due and payable, or required to be prepaid (other than by regularly scheduled required repayment) prior to the stated maturity thereof.

25. On the occurrence of an Event of Default, the holder of each one of the Secured Debentures may, in its discretion, by notice in writing to EarthRenew, declare the amount due under the applicable Secured Debentures, and accrued interest, to be due and payable, and the same shall forthwith become immediately due and payable to the holder of each of the Secured Debentures, and EarthRenew shall forthwith pay the amounts due to the holder.

THE REGISTRATION OF THE PLAINTIFFS' SECURITY

26. Luxor Capital, Luxor Master Fund, Nile Capital I S.à.r.l. and Nile Capital II S.à.r.l. have perfected their security over the defendants under the applicable Personal Property Security Acts in the provinces of Ontario and Alberta, and under the Uniform Commercial Code in the States of Delaware and California.

27. Luxor Capital, directly, and through a related entity, is also the registered holder of nearly seventy percent of unsecured debentures that were issued by EarthRenew.

EARTHRENEW'S DEFAULT AND LIABILITY TO THE PLAINTIFFS

28. From approximately July 1, 2010 to August 31, 2010, EarthRenew attempted to raise capital to fund its operations through an Initial Public Offering (the "**IPO**"). EarthRenew did not proceed with the IPO has not been able to raise sufficient capital to continue to fund its operations as planned.

29. EarthRenew has placed on temporary leave approximately thirty percent of its employees and is operating with a significantly reduced staff.

30. EarthRenew does not have sufficient funds, nor is able to access the funds necessary, to continue its operations in the ordinary course or grow its business as planned. As at September 8, 2010, EarthRenew only had between $10,000 and $15,000 in funds remaining with which to continue to operate EarthRenew's business. EarthRenew requires $550,000 per month to operate.

31. EarthRenew has ceased to carry on business in the ordinary course and has therefore committed an Event of Default.

DEMAND FOR REPAYMENT

32. On September 14, 2010, counsel for the plaintiffs delivered to each one of the defendants a demand for repayment (the "**Demand**") together with a Notice of Intention to Enforce Security (the "**Notice**") pursuant to section 244(1) of the *Bankruptcy and Insolvency Act*.

33. Since the delivery of the Demand and the Notice, no payment has been received by any of the plaintiffs on account of the indebtedness.

CONCLUSIONS

34. The plaintiffs propose that the trial of this action be held at the Court Centre, in the City of Calgary, in the Province of Alberta and estimates that the time for trial of this action will be less than 25 days.

WHEREFORE the plaintiffs claim:

(a) a declaration as to the amounts owing to the plaintiffs by the defendants and judgment in the amount found to be owing;

(b) a declaration that the security held by the plaintiffs as against the defendants is valid and enforceable;

(c) the appointment of an interim receiver and a receiver-manager or, alternatively, the appointment of a receiver over all of the assets, undertaking and property of the defendants, or such asset that the plaintiffs may direct and deem appropriate from time to time;

(d) interest in accordance with the terms of the Secured Debentures, or alternatively, pursuant to the *Judgment Interest Act*;

(e) costs in accordance with the terms of the Secured Debentures; and

(f) such further and other relief as this Honourable Court may deem appropriate.

DATED at the City of Calgary, in the Province of Alberta, this day of September, 2010 and **DELIVERED BY** Steven L. Graff of Aird & Berlis LLP, Barristers and Solicitors, solicitors for the within plaintiffs, whose address for service is in care of the said solicitors at Brookfield Place, 181 Bay Street, Suite 1800, Box 754, Toronto, Ontario, M5J 2T9, Telephone: (416) 865.7726.

ISSUED out of the office of the Clerk of the Court of Queen's Bench of Alberta, Judicial District of Calgary, this 15th day of September, 2010.

A. Lepetich

COURT SEAL

CLERK OF THE COURT

NOTICE:

TO: EARTHRENEW CORPORATION, EARTHRENEW, INC., EARTHRENEW IP HOLDINGS LLC, EARTHRENEW STRATHMORE 1 LP, EARTHRENEW STRATHMORE GENERAL PARTNER LTD., EARTHRENEW SOLUTIONS LP, EARTHRENEW OPERATIONAL EMPLOYEE LP, EARTHRENEW MANAGEMENT LP and EARTHRENEW MANAGEMENT GENERAL PARTNER LTD.

You have been sued. You are the Defendants. You have only 15 days to file and serve a Statement of Defence or Demand of Notice in the office of the Clerk of the Court of Queen's Bench in Calgary, Alberta. You or your lawyer must also leave a copy of your Statement of Defence or Demand of Notice at the address for service for the Plaintiff named in this Statement of Claim.

Warning:

If you do not do both things within 15 days, you may automatically lose the lawsuit. The Plaintiffs may get a Court judgment against you if you do not file, or do not give a copy to the Plaintiffs or do either thing late.

This Statement of Claim is issued by Steven L. Graff of Aird & Berlis LLP, Solicitors for the Plaintiffs who carries on business in the City of Toronto, Ontario and whose address for service is in care of the said solicitors at :

Brookfield Place, 181 Bay Street
Toronto, Ontario M5J 2T9
Telephone: (416) 865-7726
Fax: (416) 863-1515

and is addressed to the Defendants who carries on business as far as known to the Plaintiff in Calgary, Alberta.

CLERK OF THE COURT
SEP 15 2010
CALGARY, ALBERTA

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Defendants

STATEMENT OF CLAIM

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