

RICHTER

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ELEMENTA GROUP INC.

**SECOND REPORT OF RICHTER ADVISORY GROUP INC.,
IN ITS CAPACITY AS RECEIVER OF
ELEMENTA GROUP INC.**

MARCH 21, 2016

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**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF THE RECEIVERSHIP OF THE ELEMENTA GROUP INC.

**SECOND REPORT OF RICHTER ADVISORY GROUP INC.,
IN ITS CAPACITY AS COURT APPOINTED RECEIVER OF THE
PROPERTIES, ASSETS AND UNDERTAKING OF
ELEMENTA GROUP INC.**

MARCH 21, 2016

Introduction

1. On November 30, 2015, the Honourable Mr. Justice Hainey of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”), issued an interim order (the “**Interim Order**”) authorizing Richter Advisory Group Inc. (“**Richter**”) to take possession of Elementa Group Inc.’s (“**Elementa**” or the “**Company**”) computer server and certain boxes containing notes and other records referable to the data on the server, on an interim basis, as interim custodian pending the return of the application by Bennett Jones LLP (“**Bennett Jones**”) for the appointment of a receiver over the property, assets and undertakings of Elementa. A copy of the Interim Order is attached hereto as **Appendix “A”**.
2. On December 21, 2015, (the “**Date of Appointment**”), the Court issued an order (the “**Appointment Order**”) appointing Richter as receiver (the “**Receiver**”) pursuant to section 243 (1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c.B-3, as amended, (the “**BIA**”) and section 101 of the *Courts of Justice Act* R.S.O. 1990 c. 43, as amended, without security, of all of the properties, assets and undertakings (the “**Property**”) of Elementa. A copy of the Appointment Order is attached hereto as **Appendix “B”**.
3. On February 19, 2016, the Court issued an order (the “**Sales Process Order**”) approving the proposed sales process (the “**Stalking Horse Sales Process**”) for the sale of substantially all of the Company’s Property. An Agreement of Purchase and Sale dated February 12, 2016 (the “**Stalking Horse APS**”) between the Receiver and Bradam Canada Inc. for the sale of substantially all of Elementa’s business and assets was approved as the stalking horse sale agreement. A copy of the Sales Process Order is attached hereto as **Appendix “C”**.
4. This report is the Receiver’s second report (the “**Second Report**”) to the Court. The Receiver’s first report dated February 16, 2016 (the “**First Report**”) outlined, among other things, certain background information about Elementa, the activities of Richter and the Receiver subsequent to the granting of the Interim Order and the Appointment Order, respectively, and an overview of the terms of the Stalking Horse APS and the Stalking Horse Sales Process. A copy of the First Report (without appendices) is attached hereto as **Appendix “D”**.

Purpose of this Report

5. The purpose of this Second Report is to provide information to this Court in respect of the circumstances surrounding a certain agreement among Elementa, Mr. Andrew Ferri ("**Ferri**"), Northguard Capital Corp ("**Northguard**") and Elementa SSM Inc. ("**SSM**") purportedly made as of April 30, 2013 (the "**April 2013 Agreement**"), which by its terms purports to, among other things, effect a sale of a substantial portion of the Property to SSM. The information included herein is filed in the context of the Receiver's motion for advice and directions concerning the nature and effect of the April 2013 Agreement.

Terms of Reference

6. In preparing this Second Report, the Receiver has relied upon unaudited financial and other information previously prepared by the Company and/or its representatives as well as other information supplied by Bennett Jones, the Company's former management and others, as well as the available corporate governance records of the Company (collectively, the "**Information**"). The Receiver has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided and in consideration of the nature of evidence provided to this Honourable Court, in relation to the relief being sought herein. The Receiver has not, however, audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Canadian Institute of Chartered Accountants Handbook and, as such, the Receiver expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
7. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

General Background to the Receivership Proceedings

8. Elementa was incorporated pursuant to the *Business Corporations Act* (Ontario). It is an early state development company that owns and controls intellectual property rights to a waste conversion process to efficiently and economically convert municipal solid waste into clean synthetic gas, which has properties and utility values similar to natural gas. The synthetic gas and resultant heat can be used to power turbines, engines or fuel cells for the generation of electricity, distilled into ethanol or hydrogen or used as process heat and gas (natural gas replacement). The Company's registered head office is leased premises located at 509 Glendale Avenue E., Suite 302, Niagara-on-the-Lake, Ontario (the "**Premises**").

9. Elementa is the sole limited partner of Elementa Algoma LP, an Ontario limited partnership, whose general partner is Elementa Algoma Inc. The shares of Elementa Algoma Inc. are wholly owned by Elementa Holdings Ltd. and the shares of Elementa Holdings Ltd. are wholly owned by Elementa.
10. Commencing in or about 2003, the Company began raising capital for the construction of a pilot plant to test and develop a process to convert waste material into a clean energy source in an efficient and cost effective manner. The Company was successful in raising sufficient funds to construct a pilot plant in Sault Ste. Marie, Ontario, which facility began processing unsorted municipal solid waste in or about October 2007. The pilot plant, which the Receiver understands underwent third party verification and received Ontario Ministry of Environment approval, provided Elementa the opportunity to both test and optimize various aspects of its proprietary process.
11. Based on the successful results from its pilot plant, Elementa entered into discussions with several municipalities and industrial partners for the construction of full-scale facilities. These discussions culminated in Elementa Algoma LP (the vehicle which would develop the Project, and as hereinafter defined) becoming a party to certain contracts in relation to the planned construction of a municipal waste processing facility to produce electricity in Sault Ste. Marie (the **"Project"**).
12. For the purposes of the Project, Elementa entered into a Waste Supply and Reformation Agreement with the Corporation of the City of Sault Ste. Marie dated October 26, 2009, as amended, assigned and novated from time to time (collectively, the **"Waste Agreement"**).
13. Subsequent to entering into the Waste Agreement, Elementa Algoma LP entered into an energy from waste contract for the Project (the **"EFW Contract"**) with the Ontario Power Authority (now the Independent Electricity System Operator (**"IESO"**)) dated December 18, 2013. Elementa Algoma LP is the so-called "Supplier" under the EFW Contract.
14. In addition to the above and notwithstanding its financial difficulties, Elementa also secured the site for the Project by arranging for the purchase of the land for the Project site (the **"Project Lands"**) from the Corporation of the City of Sault Ste. Marie by 2124732 Ontario Inc. (**"212"**), a corporation owned by a shareholder and creditor of Elementa. Following its purchase of the Project Lands, 212 entered into a lease with Elementa Algoma LP for the Project Lands (the **"Lease"**). The Waste Agreement, the EFW Contract and the Lease are collectively referred to herein as the **"SSM Project Contracts"**.

15. The SSM Project Contracts contain certain deadlines for the construction and commercial operation of the Project. Pursuant to one such contract, the construction of the Project must be commenced on or before May 1, 2016. The undertaking to construct the Project required Elementa to raise significant capital (approximately \$50 – \$55 million). Unfortunately, Elementa was unsuccessful in raising sufficient funding to adequately address its capital needs and realize value from the SSM Project Contracts. Ultimately, due to its inability to raise sufficient funds to continue operations and advance the Project, Elementa was forced to lay off / terminate its workforce with the last two remaining employees being laid off / terminated in or about early 2015. As at the Date of Appointment, it was the Receiver’s understanding that Elementa was not an operating business, had no employees and no source of revenue.
16. As set out in the Receiver’s First Report, according to the Company’s most recent internal, unaudited financial statements, as at December 31, 2014, the Property consisted of the following:

Assets	Net Book Value (\$000s)
Cash and Cash Equivalents	15
HST Accounts Receivable	23
Due From Shareholders	150
Sault Ste Marie Commercial Design	865
Fixed Assets	78
Total	1,131

Note: The above amounts represent book values of the Company’s assets as detailed in the Company’s book and records and do not necessarily represent the sale or liquidation value of the Property.

17. According to a search of the Personal Property Security Registration System (Ontario) (the “PPSR”), as at the Date of Appointment, the parties holding security on the Property (collectively, the “Secured Creditors”) as well as the approximate amount of their respective claims against Elementa, were as follows:

Bennett Jones LLP (also registered in CIPO)	\$ 3,000,000
Her Majesty in Right of Ontario (Ministry of Finance)	unknown
2124732 Ontario Inc.	unknown
Gary Blokhuis D.B.A. Blokuis Holdings	unknown
Sharon D’Amico	unknown
David D’Amico	unknown

18. Based on a review of the PPSRS, at no point were any of Ferri, Northguard, SSM or another individual associated with certain of the transactions addressed herein, Mr. Luciano Butera (“**Butera**”), the holders of registered security against the assets of Elementa, nor was any assignment of intellectual property registered in the appropriate Federal Registries.
19. In addition to the amounts owed by Elementa to its Secured Creditors, according to the Company’s books and records, as at the Date of Appointment, Elementa had accrued and unpaid unsecured obligations totaling approximately \$7 million.

Ferri’s involvement with Elementa

20. In an effort to gain a better understanding of the April 2013 Agreement and Elementa’s other dealings with Ferri and Northguard, the Receiver instructed its counsel, Goldman Sloan Nash & Haber LLP (“**GSNH**”), to review the minute books and the available corporate books and records (collectively, the “**Company Records**”) of the Company. Unless otherwise obvious from the context, the following information pertaining to Mr. Jayson Zwierschke (“**Zwierschke**”), Ferri, and Northguard has been extracted from this source.
21. Based on a review of the Company Records available to the Receiver, Ferri’s dealings with Elementa have involved each or all of some combination of himself, Northguard, SSM, and Butera. Ferri is the President of Northguard. Attached hereto as **Appendix “E”** is a copy of the Corporation Profile Report dated March 14, 2016 for Northguard. According to the April 2013 Agreement, Ferri also appears to be the President of SSM. The Receiver has no evidence as to who owns the beneficial controlling interest in the equity of Northguard or SSM, nor does it understand the relationship between Butera and Ferri. The registered offices of each of Northguard and SSM appear to be the Premises. Attached as **Appendix “F”** is a copy of the Corporation Profile Report dated March 10, 2016 for SSM.
22. Ferri’s involvement with Elementa appears to date back to at least August 2008. At that time, Elementa’s predecessor in name, Enquest Power Corporation (“**Enquest**”) executed a promissory note dated August 14, 2008 (the “**August 2008 Note**”) in favour of Northguard in the principal amount of \$300,000 and bearing interest at 15%, due on the earlier of an event of default or November 30, 2008; and a General Security Agreement also dated August 14, 2008 (the “**August 2008 GSA**” and together with the August 2008 Note, the “**August 2008 Transactions**”) charging the assets, property and undertaking of Enquest, but not intellectual property. The Receiver, through its counsel, has contacted Mr. Jonathan Cocker of Baker & McKenzie LLP who acted for Enquest and then Elementa up to 2011 and was involved to some extent in the August 2008 Transactions. Based on the Receiver’s

discussions with Mr. Cocker and a review of the PPSRS, it appears that the August 2008 GSA was never perfected by registration against Enquest pursuant to the Personal Property Security Act (Ontario) (the “**PPSA**”). The Receiver can confirm that there is no subsisting registration pursuant to the PPSA against Elementa in favour of either Ferri or Northguard, which name change was obviously known to Ferri and Northguard. A copy of the executed August 2008 Note, including the August 2008 GSA are attached hereto as **Appendix “G”**.

23. From its review of the available Company Records, the Receiver is of the view that the funding provided by the August 2008 Note was intended to be used (and was used) to purchase certain technical equipment for the building of the Company’s demonstration site in Sault St. Marie and to provide approximately \$90,000 of ‘operating capital’ to the Company. Attached hereto as **Appendix “H”** is a copy of letter signed by Zwierschke, as President of Enquest, confirming the use of the proceeds from the August 2008 Note and confirming that the equipment purchased with the funds provided will be pledged under the August 2008 GSA.
24. In addition, Zwierschke personally guaranteed the August 2008 Note. Attached as **Appendix “I”** is a copy of Zwierschke’s personal guarantee in respect of the August 2008 Note.
25. In addition to the August 2008 Transactions, Enquest appears to have signed a Letter of Intent with Ferri c/o Northguard dated August 14, 2008 to, among other things, document Enquest’s commitment to provide Ferri/Northguard with a right to purchase privately-held common shares of Enquest up to a value of \$300,000 (the “**Share Option**”). The pricing of the shares pursuant to the Share Option was variable. If shares were purchased by third parties between August to November 2008, the share option price was to be the average of the prices paid during that period. If no shares traded during that period, the price was to be the average book value of all shares issued by the Company as of November 30, 2008. There is a handwritten and initialed addition to the agreement stating that the right to buy shares at average book value shall be granted if the Company has not paid back the August 2008 Note by November 30, 2008. Attached hereto as **Appendix “J”** is a copy of the Share Option.
26. Commencing on August 19, 2011 and continuing over the course of 2012, the Company entered into five (5) separate letters amending the Share Option, successively increasing the shares made available under the option from \$300,000 to \$6,000,000. The original increase is stated, in a hand-written notation on a letter dated August 19, 2011, to have been “*for arranging bridge financing on August 19, 2011 and entering into the License agreement dated August 25, 2011*”. This License Agreement is discussed in greater detail below. Attached hereto as **Appendix “K”** are copies of the amending letters increasing the shares made available under the Share Option.

27. Over that same period, various loans appear to have been made available to the Company by Northguard and Butera.
28. On August 16, 2011 Elementa executed a promissory note in the principal amount of \$355,000 in favour of Northguard and Butera bearing interest at the rate of 15% due the earlier of: (i) the failure of Elementa to obtain and pay over to the lenders certain Scientific Research and Experimental Development (“**SRED**”) credits for the taxation years 2009 and 2010 and (ii) December 15, 2011. Notations on the promissory note indicate that it was repaid, but the Receiver is unable to confirm repayment of this obligation. Attached hereto as **Appendix “L”** is a copy of the August 16, 2011 promissory note.
29. The final evidence of borrowing among these parties (Elementa, Northguard/Ferri and Butera) is in the form of a term grid promissory note dated March 9, 2012 (the “**Grid Note**”) in the maximum principal amount of \$416,500 due the earlier of: (i) the failure of the Company to make certain payments as contemplated in the Grid Note and (ii) April 30, 2012. The Company had, once again, agreed to pay over a SRED credit (in this case, the 2011 taxation year) as well as funds received from investors and Other Sources (as defined in the Grid Note) in repayment of the Grid Note. The Grid Note was stated to bear interest at 15% per annum, calculated monthly, not in advance, compounded annually on January 20th of each year. Although the Grid Note purported to pledge the above sources of payment to the lenders, no registration under the PPSA in respect of a pledge appears to have been made. Attached hereto as **Appendix “M”** is a copy of the Grid Note.
30. In total, based on the Corporate Records available to the Receiver, the borrowings among Northguard, Butera, Ferri and Enquest/Elementa appear to be somewhere between \$771,500 and \$1,071,500, although this is not certain as the Receiver is unable to ascertain which, if any, of these loans were repaid and whether the substantial grant of options under the Share Option were made in lieu of interest, or on some other basis. In addition, the April 2013 Agreement references a January 15, 2013 promissory note which, as at the date of this Second Report, neither Ferri nor his counsel have been able to produce. In particular, the Receiver was interested in whether this note had consolidated the earlier borrowings, represented new advances, or both.

The August 25, 2011 License Agreement

31. Among the materials attached to the April 2013 Agreement is a license agreement, a copy of which is attached hereto as **Appendix “N”**, made as at August 25, 2011 (the “**License Agreement**”). It appears in substance to be a form of co-development agreement between Ferri (with a corporation to be named) and Elementa, setting out some parameters by which the parties might work together to:
- (a) develop, finance and build a waste to energy project in St. Lucia;
 - (b) provide a right of first refusal to Northguard (although Northguard is not a party) to provide project financing to future projects (the “**ROFR**”);
 - (c) issue 2.5 million share purchase warrants to purchase common shares in the capital of Elementa to Northguard; and
 - (d) license future project entities to use the Elementa technology in the development of such projects, provided that there be no encumbrances permitted to be registered against such technology.
32. The ROFR appears to be subject to a condition precedent that Ferri secure “*all of the financing necessary for the St. Lucia Project*”. No agreement with St. Lucia was ever consummated. The April 2013 Agreement appears to establish that SSM is the ‘corporation to be named’ referred to in paragraph 31 above.

The April 2013 Agreement

33. The April 2013 Agreement, a copy of which is attached hereto as **Appendix “O”**, is the focus of this motion for advice and directions. The April 2013 Agreement purports to effect a number of transactions, including the following:
- (a) Elementa purports to transfer title of the Sault Ste. Marie demonstration plant to Northguard along with a covenant by Elementa to sell the plant and deliver the proceeds to Northguard. Notwithstanding this purported transaction, and as noted above, these assets appear to be listed on Elementa’s unaudited financial statements dated as at December 31, 2014;
 - (b) Elementa assigns the License Agreement to SSM, which the Receiver interprets to mean that SSM is the ‘corporation to be named’ in paragraph 31 above;

- (c) Elementa acknowledges that Ferri agreed to finance the St. Lucia Project, and in doing so, fulfilled the condition precedent contained in License Agreement;
 - (d) Elementa agrees “*in order to further secure the outstanding note payable to Northguard, Elementa shall transfer all its right interest and title in its steam reforming systems technology...to SSM” [emphasis added];*
 - (e) Elementa will forego any license fees or royalties on the Project;
 - (f) Elementa will receive a 20% royalty based on net profit before taxes on future projects other than the Project;
 - (g) Elementa will transfer the SSM Project Contracts and the shares or units of any LP formed to facilitate the Project to SSM; and
 - (h) SSM agrees to transfer Elementa’s technology back to Elementa upon repayment of a certain promissory note dated January 15, 2013 referenced in the recitals to the April 2013 Agreement.
34. The existence of the April 2013 Agreement came as a complete surprise to the Receiver. Accordingly, upon becoming aware of its existence, the Receiver instructed GSNH to review the available Company Records, and GSNH could find no reference to the April 2013 Agreement in any of the directors’ minutes or notes made available to the Receiver. Further, there does not appear to have been a shareholders’ meeting called to discuss and approve the sale of all, or substantially all, of Elementa’s assets as would be required pursuant to the articles and by-laws of the Company.
35. Most disturbingly, the following passage is in the board minutes of the meeting held October 25, 2013 (a copy of the board minutes dated October 25, 2013 is attached hereto as **Appendix “P”**): “Jayson Zwierschke acknowledged that he had made an arrangement with Andy Fehri [sic] regarding options for ‘a couple of million’ of his own shares in exchange for continued funding from Andy Fehri and/or one of his associated companies. This arrangement was unknown to the board, which has to approve all actual and potential transfers of share ownership. It was agreed that Doug Fowler and Erv Krause will work with Jayson Zwierschke and Andy Fehri to document this correctly. Jayson Zwierschke agreed to provide legal certification that there are no other arrangements having to do with Elementa that are unknown to the Board”. [emphasis added]

36. A number of aspects of this passage are disturbing. First, the so-called options had grown from \$300,000 to \$6,000,000 over the course of 2012. Second, it is not clear how these options were to have been satisfied, nor for what consideration they were issued. Zwierschke has maintained that they were to be satisfied from his own shareholdings, however, the documentation is ambiguous. The Receiver understands from its discussions with the former Chairman of the board and independent director, Mr. John Ashbourne, that efforts to clarify the Share Option going back to the time of its disclosure have elicited no clarification from Ferri. This fact and the existence of the warrants issued to Northguard posed a serious impediment to financing the Company, as the effects of the Share Option and granting of warrants may have been highly dilutive to any subsequent investor.
37. Finally, it is astonishing that Zwierschke, having made the April 2013 Agreement which purports to materially impair Elementa's key assets, does not disclose this agreement at the time it was entered into, at the October 25, 2013 board meeting or at any other time. The first time the Receiver and presumably all persons dealing at arm's length with the Company learn of the existence and content of the April 2013 Agreement was on February 29, 2016 when Ferri's counsel disclosed it. Arguably, this arrangement is even more egregious than the one affecting the share capital of the Company in that Elementa has purportedly lost control of its key assets without legal process, corporate process or public disclosure of any kind.
38. Although the Receiver is not in a position to comment on the amounts owed to the Company's creditors at the time the April 2013 Agreement was consummated, Elementa's internal unaudited financial statements indicate that, as at December 31, 2012, Elementa had unsecured creditor obligations totaling approximately \$5 million. The Company's obligations continued to grow over the two years following the purported undisclosed transactions contained in the April 2013 Agreement and, as noted in paragraph 19 above, as at the Date of Appointment, the Company had unsecured obligations totaling approximately \$7 million. Moreover, the physical assets which were purportedly sold to Northguard could still be found on the Company's unaudited financial statements well over a year after such purported sale. In addition, no public registrations were made and, in effect, to the outside world nothing at Elementa had changed.
39. Somewhat paradoxically given his current position on the matter, on February 7, 2014, Ferri wrote to Elementa on Northguard letterhead concerning the Project, attention: Jayson Zwierschke informing Elementa that *"further to our meeting on February 6, 2014, please be advised we will not be moving forward with the above noted project pursuant to our agreement of August 25, 2011"*. Attached hereto as **Appendix "Q"** is a copy this correspondence.

40. In the February 7, 2014 letter, the Receiver is of the view that Ferri is referencing the License Agreement and clearly indicating that he has no interest in pursuing the Project. Meanwhile, on March 7, 2014, Zwierschke represented to Elementa's board that Ferri was still interested in the Project. Attached hereto as **Appendix "R"** is a redacted version of Elementa's board minutes dated March 7, 2014.
41. There are three noteworthy elements of the March 7, 2014 board minutes:
- (a) Zwierschke's assertion that Ferri is still interested in the Project despite Ferri's letter of February 7, 2014 stating otherwise;
 - (b) the Share Option issue has still not been resolved; and
 - (c) the board's assertion that "*anything offered to Andy Ferri by Jayson Zwierschke and not explicitly approved by the Board is not legitimate*".
42. In the Receiver's view, it is difficult to reconcile the February 7, 2014 letter and the April 2013 Agreement. Having purportedly tied up Elementa's assets with a view to securing his position and pursuing the Project, Ferri appears to abandon the Project. What is clear, is that since the April 2013 Agreement there is no evidence that Ferri raised sufficient capital to commence the Project or any other project, and that any transactions purported to have been effected under the April 2013 Agreement were never disclosed or approved by Elementa's board. Moreover, the Receiver is not aware of any assignment having been made of the SSM Project Contracts.
43. In the Receiver's dealings with both the City of Sault Ste. Marie and with the IESO, there has been no suggestion that either of those counterparties were aware of any assignment of the SSM Project Contracts. Moreover, the IESO continues to communicate with Elementa Algoma LP as 'Supplier' under the EFW Contract through Zwierschke, and Zwierschke has responded to their inquiries as recently as March 4, 2016.

Zwierschke's and Ferri's conduct since November 2015

44. Since the time of the initial hearing of the receivership application, Zwierschke has had the opportunity to disclose the existence of the April 2013 Agreement to the Court. He has not done so. Similarly, Ferri who states in his March 9, 2016 e-mail to the service list in this matter that he has "*worked tirelessly with the executives of Elementa Group Inc. as well as certain board members over a long period of time*" had it within his power to reveal the April 2013 Agreement. However, the Receiver can find no indication

that Ferri advised the board or other executives of Elementa that he held such pervasive rights in and to the Company's assets.

45. The law firm Wright Temelini LLP (“WT”) served a Notice of Appearance in this matter on February 5, 2016 on behalf of Ferri and Northguard. WT was served with the Receiver's motion materials for the approval of the Sale Process Order and neither Ferri nor Northguard took a position at that time despite the fact that the Receiver was proposing to sell the very assets which Ferri now claims he controls through Northguard, SSM or personally. Mr. Temelini, in his message accompanying the disclosure of the April 2013 Agreement on February 29, 2016 states that: *“My client just recently provided me with the attached document [the April 2013 Agreement] which is an agreement between Elementa, Northguard Capital Corp., Andrew Ferri and an entity called Elementa SSM Inc. This agreement pre-dates the Notice contained at Exhibit H of Ms. Oliver's affidavit [the Bennett Jones GSA]. I would ask you to review this document and would like to discuss it with you at your earliest convenience”*. Attached hereto as **Appendix “S”** is a copy of Mr. Temelini's email without attachment.
46. Based on Mr. Temelini's message, the Receiver assumes that until shortly before February 29, 2016, Ferri had chosen not to inform his counsel of the existence and importance to him of the April 2013 Agreement, despite the impending motion for approval of the Sale Process Order on February 19, 2016. In the Receiver's view, it is remarkable that, despite having legal representation from at least February 5, 2016, two full months elapsed from the date of the Appointment Order and 13 days following the commencement of the Stalking Horse Sale Process, before Ferri chose to reveal the April 2013 Agreement to the Receiver.
47. Ferri and Zwierschke appear to have a close connection. Ferri, Northguard and SSM maintained offices alongside those of Elementa at the Premises. Zwierschke was the initial administrator of SSM. The Receiver most recently assisted Ferri retrieve certain of his personal files from the Premises through its contacts with the landlord to the Premises. Based on the events and documents reviewed to date, it is not a stretch to conclude that Zwierschke was one of the persons with whom Ferri was actively engaged concerning Elementa's affairs. Zwierschke is the common link to all of the Ferri/Northguard/Butera/SSM documentation. Although the Receiver cannot find evidence that the board or Elementa's creditors were apprised of the April 2013 Agreement and other transactions with Ferri/Northguard, it appears clear that Zwierschke was aware of all such dealings having negotiated them, but apparently he did not disclose these agreements to his colleagues on the board, Elementa's creditors or Elementa's legal counsel.

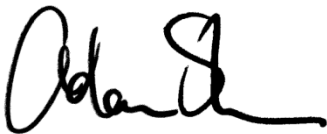
48. Likewise, Ferri chose not reveal these arrangements either by direct disclosure to interested parties or by registrations in the public registries where one would have expected to record such transactions. Had he done so, parties dealing with Elementa would have been put on notice of these arrangements and would have governed their affairs accordingly. In the Receiver's view, the fact that these transactions were effectively secret has consequences for their enforceability against third parties.

The Receiver respectfully submits the foregoing in connection with its motion for advice and directions.

All of which is respectfully submitted this 21st day of March, 2016.

**Richter Advisory Group Inc.
in its capacity as Receiver of
Elementa Group Inc.**

Per:



Adam Sherman, MBA, CIRP
Senior Vice President

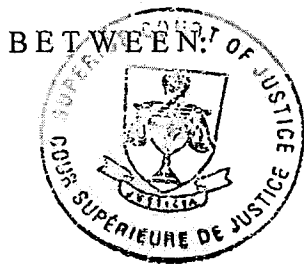


Pritesh Patel, MBA, CFA, CIRP
Vice President

APPENDIX A

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR.) MONDAY, THE 30TH DAY
JUSTICE HAINEY) OF NOVEMBER, 2015



BETWEEN:

BENNETT JONES LLP

Applicant

-and-

ELEMENTA GROUP INC.

Respondent


ORDER

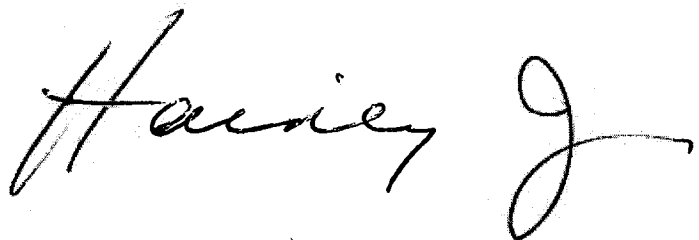
THIS APPLICATION made by the Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") appointing Richter Advisory Group Inc. ("Richter") as receiver (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of Elementa Group Inc. (the "Debtor") acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Eden Oliver sworn November 27, 2015 and the Exhibits thereto and on hearing the submissions of counsel for the Applicant, counsel for Leonard Zwierschke and Jayson Zwierschke (together, the "Respondents"), counsel for John Ashbourne, and counsel for Richter,

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Motion is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.
2. THIS COURT ORDERS that the Application is hereby adjourned to December 21, 2015 at 9:00 a.m. for one hour, to be heard by Justice Hainey in order to enable the Respondents to respond to the merits of the Application to appoint the Receiver which response is not to be an assessment of Bennett Jones' legal accounts.
3. THIS COURT ORDERS that responding materials to the Application are to be served by December 10, 2015 and that the parties are to appear before Justice Hainey on December 10, 2015 at 9:30 a.m. for 10 minutes, to provide a progress report on the matter.
4. THIS COURT FURTHER ORDERS that Richter is to take possession of the server and certain boxes containing notes and records referable to the data on the server on an interim basis, (the "Property") as interim custodian until further order of this Court, and that Mr. John Ashbourne, the Chairman of the Board of Directors of the Debtor, shall cooperate in providing Richter with possession of the Property.
5. THIS COURT ORDERS that Richter shall incur no liability or obligation as a result of carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part.

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

 DEC 21 2015



BENNETT JONES LLP
Applicant/Plaintiff

-- and --

ELEMENTA GROUP INC.
Respondent/Defendant

Court File No. CV-15-11198-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at TORONTO

ORDER

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Lawyers for the Applicant
Bennett Jones LLP

APPENDIX B

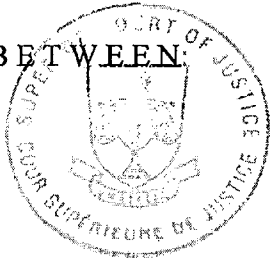
ONTARIO
SUPERIOR COURT OF JUSTICE

THE HONOURABLE MR. JUSTICE
GLENN A. HAINES

) Monday, THE 21ST
)
) OF DECEMBER, 2015

JUSTICE

BETWEEN:



BENNETT JONES LLP

Applicant

-and-

ELEMENTA GROUP INC.

Respondent

**ORDER
(appointing Receiver)**

THIS MOTION made by the Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") appointing Richter Advisory Group Inc. ("Richter") as receiver (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of Elementa Group Inc. (the "Debtor") acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Eden Oliver sworn November 27, 2015 and the Exhibits thereto, the affidavit of Jayson Zwierschke sworn December 9, 2015 and on hearing the submissions of counsel for the Applicant and the Respondent and on reading the consent of Richter to act as the Receiver,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS AND DECLARES that pursuant to section 243(1) of the BIA and section 101 of the CJA, Richter is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceedings thereof (the "Property").

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;

- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;

- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$100,000, provided that the aggregate consideration for all such transactions does not exceed \$500,000; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, [or section 31 of the Ontario *Mortgages Act*, as the case may be,] shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.
- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the

foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;

- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (r) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. THIS COURT ORDERS that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due

to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

7. THIS COURT ORDERS that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days notice to such landlord and any such secured creditors.

NO PROCEEDINGS AGAINST THE RECEIVER

8. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

9. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

10. THIS COURT ORDERS that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "**eligible financial contract**" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

11. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

12. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

13. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

14. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in

respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

15. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

16. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in

pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

17. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

18. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge in an amount not exceeding \$200,000 (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

19. THIS COURT ORDERS that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

20. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

21. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$200,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

22. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

23. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

24. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

SERVICE AND NOTICE

25. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service->

protocol/) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL '<@>'.

26. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtor's creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

27. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

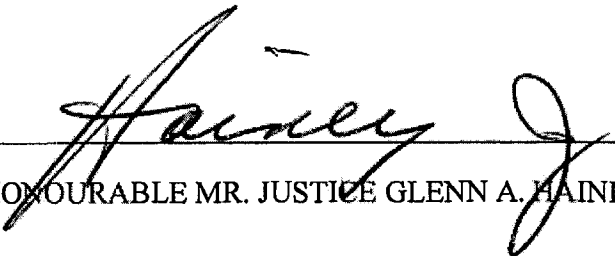
28. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

29. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.


30. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

31. THIS COURT ORDERS that the Plaintiff shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

32. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.


THE HONOURABLE MR. JUSTICE GLENN A. HAINEY

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

 DEC 21 2015

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that [RECEIVER'S NAME], the receiver (the "Receiver") of the assets, undertakings and properties [DEBTOR'S NAME] acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the ___ day of _____, 20__ (the "Order") made in an action having Court file number ___-CL-_____, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.

33. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

34. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

35. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

36. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

37. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

38. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the _____ day of _____, 20__.

[RECEIVER'S NAME], solely in its capacity
as Receiver of the Property, and not in its
personal capacity

Per: _____

Name:

Title:

BENNETT JONES LLP – and – ELEMENTA GROUP INC.

Court File No. CV-15-11198-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at TORONTO

**ORDER
(appointing Receiver)**

BENNETT JONES LLP
One First Canadian Place
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Toronto, Ontario
M5X 1A4

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Email: afroz@bennettjones.com

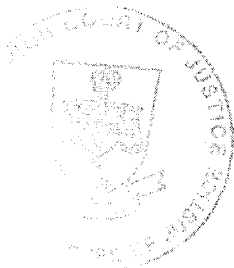
Tel. 416 863 1200
Fax 416 863 1716

Lawyers for the Applicant
Bennett Jones LLP

APPENDIX C

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE *Madam*) FRIDAY, THE 19TH
JUSTICE *CONWAY*) DAY OF FEBRUARY, 2016



IN THE MATTER OF THE RECEIVERSHIP OF
ELEMENTA GROUP INC.

ORDER

THIS MOTION, made by Richter Advisory Group Inc. ("**Richter**") in its capacity as the Court-appointed Receiver (in such capacity, the **Receiver**"), without security, of all the assets, undertakings and properties (collectively, the **Property**) of Elementa Group Inc. ("**Elementa**") for an order substantially in the form included in the Receiver's Motion Record, amongst other things, approving a stalking horse agreement of purchase and sale and related bidding procedures and approving the First Report of the Receiver dated February 16, 2016 (the "**First Report**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the First Report and appendices thereto, and on hearing the submissions of counsel for the Receiver, and Bradam Canada Inc. (the "**Stalking Horse Bidder**"), no one appearing for any other person on the service list, although duly served as appears from the affidavit of service of Sanja Sopic sworn February 17, 2016, filed.

1. **THIS COURT ORDERS** that the time for service and filing of the Receiver's Notice of Motion and the Motion Record is hereby abridged and service thereof is hereby validated so that this motion is properly returnable today and further service thereof is hereby dispensed with.

2. **THIS COURT ORDERS** that all capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them in the Stalking Horse Agreement or the Bidding Procedures (as such terms are defined below), as the case may be.

3. **THIS COURT ORDERS** that the Receiver is hereby authorized and directed to enter into an agreement to sell substantially all of the assets, property and undertakings of Elementa (collectively, the “**Purchased Assets**”) to the Stalking Horse Bidder, substantially in the form of the agreement attached as Appendix “D ” to the First Report (the “**Stalking Horse Bid**” or “**Stalking Horse Agreement**”), and such agreement, subject to the terms of this Order, is hereby approved and accepted for the purpose of conducting the Stalking Horse Sales Process (as such term is defined below) in accordance with this Order and the Bidding Procedures (as such term is defined below).

4. **THIS COURT ORDERS** that the sales and bidding procedures described in the First Report and attached hereto as **Schedule “A”** (the “**Bidding Procedures**”) and the sales process and auction described therein (collectively, the “**Stalking Horse Sales Process**”) be and are hereby approved and the Receiver is hereby authorized and directed to conduct the Stalking Horse Sales Process.

5. **THIS COURT ORDERS** that to qualify as a Qualified Bid, a bid must be received on or before 5:00 p.m. (Toronto time) on March 21, 2016 (the “**Bid Deadline**”) and must be considered by the Receiver, in its sole discretion, to be a Qualified Bid, as defined in the Bidding Procedures. The Stalking Horse Bid shall be considered a Qualified Bid.

6. **THIS COURT ORDERS** that in addition to the Bidding Procedures, the following Stalking Horse Sales Process with respect to the Property be and is hereby approved as follows:

- (a) the Receiver shall solicit potential purchasers to submit bids by:
 - (i) sending out an official offering summary (the “**Teaser Letter**”) to parties who may be interested in purchasing the Property as identified by the Receiver (the “**Potential Bidders**”), to notify them of the existence of the Stalking Horse Sales Process and invite the Potential Bidders to make an

- offer to acquire all or any part of the Property as soon as reasonably practicable after issuance of this Order;
- (ii) sending a form of confidentiality agreement (the “**Confidentiality Agreement**”) to Potential Bidders as identified by the Receiver, along with the Teaser Letter;
 - (iii) providing to any Potential Bidders who execute the Confidentiality Agreement on terms satisfactory to the Receiver: (1) access to an electronic data room established by the Receiver containing relevant information relating to Elementa and its Property, and (2) an electronic copy of the Stalking Horse Bid;
- (b) any interested purchaser shall submit a formal offer to purchase the Property in the form of the Stalking Horse Agreement (with a copy blacklined against the Stalking Horse Agreement), and an aggregate purchase price at least equal to the Stalking Horse Bid, plus an additional sum of \$150,000.00, and a deposit equal to at least 10% of the aggregate purchase price under the subject bid by way of Certified Cheque, Bank Draft or Wire Transfer payable to the Receiver in trust on or before the Bid Deadline;
 - (c) the Receiver shall review any bids received by the Bid Deadline and determine if there are one or more Qualified Bids;
 - (d) if there is no Qualified Bid other than the Stalking Horse Bid, the Receiver shall bring a motion as soon as reasonably possible after the Bid Deadline for approval of the Stalking Horse Agreement and an order to vest the right, title and interest of Elementa in the Purchased Assets in the Stalking Horse Bidder and proceed with closing the transaction forthwith;
 - (e) if there are one or more Qualified Bids apart from the Stalking Horse Bid, the Receiver shall send out invitations on or before 3:00 p.m. (Toronto time) on March 23, 2016, or as reasonably practicable, to all persons who have submitted Qualified Bids and to the Stalking Horse Bidder (the “**Auction Notice**”), inviting

them to attend an auction (the “**Auction**”) to be conducted by the Receiver at 10:00 a.m. (Toronto time) on March 25, 2016, at the offices of the Receiver, or otherwise as may be determined by the Receiver, in its sole discretion. The Auction Notice shall include, amongst other things: (a) the date, time and location of the Auction; (b) a copy of the most favourable Qualified Bid (the “**Opening Bid**”) as determined in accordance with the Bidding Procedures; and (c) the procedures pursuant to which the Auction is to be conducted;

- (f) if the bidder of a Qualified Bid intends to participate in the Auction, it must advise the Receiver of such intention in writing at least one (1) Business Day prior to the Auction (a “**Participation Notice**”). If at least two (2) Participation Notices are received, the Auction will take place and shall be conducted in accordance with the procedures set out in the Bidding Procedures;
- (g) the Receiver may establish such timelines and protocols for the Auction as it considers appropriate, in its discretion, which will not be inconsistent with the terms of this Order or the Bidding Procedures; and
- (h) the “**Winning Bidder**” shall be: (1) if there are no bids at the Auction, the bidder with the Opening Bid; or (2) the bidder with the highest bid received at the Auction as determined in accordance with the Bidding Procedures (the “**Winning Bid**”).

7. **THIS COURT ORDERS** that upon acceptance of the Winning Bid, there shall be a binding agreement of purchase and sale between the Winning Bidder and the Receiver in accordance with the Bidding Procedures, and the following shall take place:

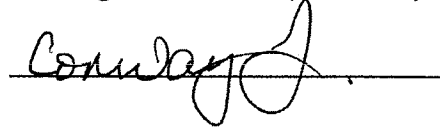
- (a) within seven (7) Business Days after the completion of the Auction, the Receiver shall make a motion to this Court for an order to approve the Winning Bid and to vest the right, title and interest of Elementa in the Property in the Winning Bidder, and proceed with closing the transaction forthwith; and
- (b) if the Winning Bidder fails to comply with the terms and conditions of the Winning Bid, or any of them, all deposits shall be forfeited to the Receiver on

account of liquidated damages, without prejudice to all other rights and remedies the Receiver may have under the Winning Bid or at law or in equity as a result of such failure to comply, and the Property subject to the Winning Bid may be resold by the Receiver. In that event, the Receiver may in its sole discretion accept the Back-Up Bid, as defined in the Bidding Procedures. Upon acceptance of the Back-Up Bid, there shall be a binding agreement of purchase and sale between the bidder of the Back-Up Bid and the Receiver in accordance with the Bidding Procedures, and if necessary the Receiver may in its sole discretion in such acceptance extend the Closing Date to a date no later than April 30, 2016. The Receiver shall make a motion to this Court, within seven (7) Business Days after its acceptance of the Back-Up Bid, for an order to approve the Back-Up Bid and to vest the right, title and interest of Elementa in the Property in the purchaser thereunder, and proceed with closing the transaction forthwith.


8. **THIS COURT ORDERS** that in connection with the Stalking Horse Sales Process and pursuant to clause 7(3) (c) of the *Personal Information Protection and Documents Act* (Canada), the Receiver may disclose personal information of identifiable individuals to Potential Bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete a sale of such assets. Each Potential Bidder to whom any such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the said assets and related business, and if it does not complete a purchase thereof, shall return all such information to the Receiver or in the alternative shall destroy all such information and certify such destruction to the Receiver. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by Elementa, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

9. **THIS COURT ORDERS** that the Receiver and its counsel be and they hereby are authorized to serve or send, or cause to be served or sent, this Order (including any of the materials referred to in this Order and other materials relating to the Stalking Horse Sales Process), any other materials and orders in these proceedings, and any notices or correspondence,

by commercial electronic messages to electronic addresses, attaching true copies thereof, of Elementa's creditors and other interested parties (including prospective purchasers or bidders to the extent necessary or desirable to provide information and material with respect to the Stalking Horse Sales Process), and their advisers. For greater certainty, any such service or sending shall be deemed to be in satisfaction of a legal or judicial obligation, or the provision of notice of an existing or pending right, legal or juridical obligation or court order, within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DOS).

A handwritten signature in black ink, appearing to read "Conway", is written over a horizontal line.

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

 FEB 19 2016

SCHEDULE "A"

BIDDING PROCEDURES

Background

On December 21, 2015, the Ontario Superior Court of Justice (Commercial List) (the "Court") made an order (the "Appointment Order") appointing Richter Advisory Group Inc. ("Richter") receiver (the "Receiver") over the assets, undertakings and properties (the "Property") of Elementa Group Inc. ("Elementa" or the "Company") acquired for, or used in relation to the business carried on by Elementa, including all proceeds thereof.

On or about February 19, 2016, the Receiver will bring a motion for an order (the "Sales Process Order") with the Court seeking, among other things, approval of:

- (i) the Receiver's execution of an agreement of purchase and sale of substantially all assets of the Company (the "Purchased Assets") between the Receiver and Bradam Canada Inc. (the "Stalking Horse Bidder") dated February 12, 2016 (the "Stalking Horse Agreement") for total consideration of \$1,500,000.00 (the "Stalking Horse Bid") so as to set a minimum floor price in respect of the sale process for the Purchased Assets; and
- (ii) the process for the solicitation of offers or proposals for the acquisition of the Property or any parts thereof (each a "Bid", and each party who submits a Bid, a "Bidder"), including approval of the bidding procedures detailed herein (the "Bidding Procedures").

Accordingly, these Bidding Procedures shall govern the solicitation by the Receiver of Bids that are superior to that contemplated by the Stalking Horse Agreement and the proposed sale of the Purchased Assets.

Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

Bidding Procedures

These Bidding Procedures provide for one phase of bidding in which to solicit binding offers to purchase all or part of the Property. In the event that the Receiver determines that the results of any Bids received satisfy the conditions for an auction, as set out below, the Receiver shall conduct an auction in accordance with the procedures set out in Section 9 below.

1. Assets for Sale

The Receiver is soliciting Bids for the Property, or any parts thereof, that are superior to that contemplated by the Stalking Horse Agreement. For the purposes of the Bidding Procedures, the Property shall collectively include substantially all of the assets, undertakings and properties of Elementa, which for clarity includes the shares of Elementa Algoma LP, Elementa Algoma Inc. and Elementa Holdings Ltd., acquired for or used in relation to Elementa's business.

2. Solicitation

The Receiver has prepared: (a) a list of potential bidders for the Assets (the "Potential Bidders"),

including both strategic and financial parties who may be interested in acquiring the Property; (b) an initial offering summary (the “Teaser Letter”) to notify Potential Bidders of the existence of this solicitation process and invite the Potential Bidders to make an offer to acquire all or any part of the Property; and (c) a form of confidentiality agreement (the “Confidentiality Agreement”).

The Receiver shall commence the solicitation process as soon as practical upon receipt of the Sales Process Order, by sending the Teaser Letter and the Confidentiality Agreement to the Potential Bidders.

3. Access to Due Diligence Materials

Interested parties that execute and deliver to the Receiver the Confidentiality Agreement shall receive access to an electronic data room established by the Receiver to provide Potential Bidders with relevant information relating to the Company and its Property, and a copy of the Stalking Horse Agreement (the “Due Diligence Access”). Each party’s Due Diligence Access shall terminate upon the earliest of the following events to occur:

- (i) Such party does not submit a Bid by the Bid Deadline (as defined below);
- (ii) Such party submits a Bid by the Bid Deadline but the Receiver determines that such party does not constitute a Qualified Bidder (as defined below);
- (iii) Such party does not participate in the Auction (as defined below); or
- (iv) At the conclusion of the Auction.

Notwithstanding that a party’s Due Diligence Access may continue until the end of the Auction, the Receiver shall not be obligated to furnish any additional due diligence information after the Bid Deadline.

The Receiver will designate a representative to coordinate all reasonable requests for Due Diligence Access for all parties eligible to receive such access in accordance with Section 3. The Receiver is not responsible for, and will bear no liability with respect to, any information obtained by any party in connection with the Property and does not make any representations or warranties as to the information or materials provided, except to the extent of any representations or warranties provided for in the relevant agreement(s) with the Winning Bidder(s) (as defined below).

4. Due Diligence from Bidders

Each Bidder shall comply with all reasonable requests for additional information by the Receiver regarding such Bidder and its contemplated transaction. Failure by a Bidder to comply with requests for additional information could be the basis for the Receiver to determine that a Bidder is not a Qualified Bidder (as defined below).

5. As is, where is

Any sale of the Property will be completed on an “as is, where is” basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Receiver or the Company or their respective agents, professionals, advisors, or otherwise, except to the extent set forth in the relevant agreement(s) with the Winning Bidder(s).

6. Bidding Deadlines

All Bids must be submitted in accordance with the terms of these Bidding Procedures so that they are received by the Receiver no later than 12pm EST on March 21, 2016 (the "**Bid Deadline**"). A Bid received by the Receiver after the Bid Deadline shall not constitute a Qualified Bid (as defined below).

Written copies of the Bids shall be delivered via e-mail or by personal delivery to the Receiver at:

Richter Advisory Group Inc.
181 Bay St., Suite 3320
Bay Wellington Tower
Toronto, ON M5J 2T3

Attention: Adam Sherman
E-mail: asherman@richter.ca

with a copy to the Receiver's counsel at:

Goldman Sloan Nash & Haber LLP
480 University Avenue, Suite 1600
Toronto, Ontario M5G 1V2

Attention: Mario Forte
E-mail: forte@gsnh.com

7. Bid Requirements

To participate in the process detailed by these Bidding Procedures and to otherwise be considered for any purpose hereunder, a Bidder must deliver a Bid to the Receiver by the Bid Deadline which satisfies each of the following conditions:

- (i) Identification: The Bid must identify the Bidder and representatives thereof who are authorized to appear and act on behalf of the Bidder for all purposes regarding the contemplated transaction;
- (ii) Form and Content: The Bid must be in the form of the Stalking Horse Agreement and executed by the Bidder (each, a "**Proposed Purchase Agreement**"). Any changes and modifications to the Stalking Horse Agreement are to be indicated on a blackline to the Stalking Horse Agreement (including, if applicable, any modifications made to reflect the Property or parts thereof sought to be purchased), which is to be submitted along with the executed version;
- (iii) Minimum Consideration: The aggregate consideration of a Bid that includes all of the Purchased Assets must provide a cash purchase price of at least \$1,650,000.00 (the "**Minimum Purchase Price**"). The Minimum Purchase Price is the aggregate of: (a) the Stalking Horse Bid; (b) the Break- Up Fee (as defined in the Stalking Horse Agreement) of \$50,000.00; and (c) \$100,000.00. In the event that the Bid is for less than all of the Purchased Assets, such Bid shall not be subject to the Minimum Purchase Price; provided, however, that such Bid must be

capable of being paired by the Receiver with one or more other Bids which in the aggregate provide for a cash purchase price of at least the Minimum Purchase Price;

- (iv) Good-Faith Deposit. The Bid must be accompanied by a cash deposit equal to at least ten percent (10%) of the total cash purchase price contemplated by the Bid (the “**Good Faith Deposit**”), and the Good Faith Deposit shall be paid to the Receiver, to be held by the Receiver in trust in accordance with these Bidding Procedures;
- (v) Financial Wherewithal. The Bid must include evidence satisfactory to the Receiver of the Bidder’s financial ability to close by the Closing Date (as defined below);
- (vi) Closing Date. The Bid must contain a binding commitment by the Bidder to close on the terms and conditions set forth in the Proposed Purchase Agreement as soon as practicable after satisfaction or waiver of all conditions; provided that such closing must take place by no later than April 30, 2016 (the “**Closing Date**”);
- (vii) Irrevocable. The Bid must be accompanied by a letter which confirms that the Bid may be accepted by the Receiver, by the Receiver countersigning the Proposed Purchase Agreement, and is irrevocable and capable of acceptance until the earlier of: (a) the day on which the Bidder is notified that the Bid is not a Qualified Bid (as defined below); (b) the day on which a Winning Bid or Winning Bids are selected, if the Bid is neither a Winning Bid nor a Back-Up Bid (as defined below) selected on such day; (c) if the Bid is the Back-Up Bid, then the day on which the Winning Bid(s) closes; and (d) April 30, 2016 (the “**Termination Date**”);
- (viii) No Representations and Warranties. A Bid shall include an “as is, where is” clause substantially on the same terms as the “as is, where is” clause set out in the Stalking Horse Agreement;
- (ix) Contingencies. The Bid may not be conditional on obtaining financing, or obtaining assignments on any leases or contracts of the Company or its affiliates, or any internal approval, or on the outcome or review of due diligence. Any other contingencies associated with the Bid may not, in the opinion of the Receiver, in the aggregate, be more burdensome or conditional than those set forth in the Stalking Horse Agreement;
- (x) No Fees Payable to Bidder. The Bid may not request or entitle the Bidder to any break-up fee, expense reimbursement, termination or similar type of fee or payment. Further, by submitting a Bid, a Bidder shall be deemed to irrevocably waive any right to pursue a claim in any way related to the submission of its Bid or these Bidding Procedures; and
- (xi) Other Information. A Bid shall contain such other information reasonably requested by the Receiver.

8. Designation as Qualified Bidder

The Receiver may discuss, negotiate or seek clarification of any Bid. A Bidder may not modify, amend or withdraw its Bid without the written consent of the Receiver. Any such modification, amendment or withdrawal of a Bid by a Bidder without the written consent of the Receiver shall result in a forfeiture of such Bidder’s Good-Faith Deposit.

After any clarifying discussions or negotiations, the Receiver shall review all Bids and other documentation and information submitted by the Bidders, and shall determine, in its sole discretion, those Bidders, if any, that are qualified to participate in an auction (the “**Qualified Bidders**” and the Bid of each Qualified Bidder, a “**Qualified Bid**”). All Bids will be considered, but the Receiver reserves the right to reject any and all Bids.

Notwithstanding anything else in the Bidding Procedures, the Stalking Horse Bidder is deemed to be a Qualified Bidder and the Stalking Horse Bid is deemed to be a Qualified Bid for all purposes and at all times.

9. Auction

If the Receiver determines that there are no Qualified Bids (other than the Stalking Horse Agreement), then:

- (i) there will be no auction;
- (ii) the Stalking Horse Agreement shall be declared the Winning Bid (as defined below) for the Purchased Assets; and
- (iii) the Receiver shall seek approval of, and authority to consummate, the Stalking Horse Agreement and the transactions provided for therein at the Sale Motion (as defined below).

If the Receiver determines that there is at least one Qualified Bid for all of the Purchased Assets (other than the Stalking Horse Bid) or a combination of non-overlapping Qualified Bids for less than all of the Purchased Assets (an “**Aggregated Bid**”), and such Qualified Bid or Aggregated Bid provides the Minimum Purchase Price, the Receiver shall conduct an auction to determine the highest and/or best Qualified Bid or Aggregated Bid (the “**Auction**”).

If the Auction is to take place, then within two (2) business days after the Bid Deadline, the Receiver shall send written notice to all Qualified Bidders with respect to whether such Bidder is a Qualified Bidder and invite the Qualified Bidder to participate in the Auction (the “**Auction Notice**”). The Auction Notice shall include, amongst other things: (a) the date, time and location of the Auction; (b) a copy of the Opening Bid (as defined below); and (c) the procedures pursuant to which the Auction is to be conducted.

In all cases, the Receiver shall post notice of such facts on its website established in connection with the receivership of the Company, at: <http://www.richter.ca/en/folder/insolvency-cases/e/elementa-group-inc>

If a Qualified Bidder intends to participate in the Auction, it must advise the Receiver of such intention in writing at least one (1) business day prior to the Auction (a “**Participation Notice**”). If at least two (2) Participation Notices are received, the Auction will take place and shall be conducted in accordance with the following procedures:

- (i) Participation at the Auction. The Receiver and its professionals shall direct and preside over the Auction. Only Qualified Bidders are eligible to participate in the Auction. Each Qualified Bidder must have present or available, the individual or individuals with the necessary decision making authority to submit Overbids (as defined below) and to make such necessary and ancillary

decisions as may be required during the Auction. Only the authorized representatives, including counsel and other advisors, of each of the Qualified Bidders and the Receiver shall be permitted to attend the Auction;

- (ii) Rounds. Bidding at the Auction shall be conducted in rounds. The Qualified Bid or Aggregated Bid with the highest and/or best value shall constitute the opening bid (the “**Opening Bid**”) for the first round of bidding. The highest Overbid (as defined below) at the end of each round shall constitute the “Opening Bid” for the following round. The Receiver, in its sole discretion, shall determine what constitutes the Opening Bid for each round. An Aggregated Bid may be an Opening Bid in the first round. A combination of non-overlapping Overbids (an “**Aggregated Overbid**”) may also be an Opening Bid in any subsequent round, if such Aggregated Overbid is determined by the Receiver, in its sole discretion, to be the highest and/or best Overbid. In each round, a Qualified Bidder may submit no more than one Overbid. The Receiver reserves the right to impose time limits for the submission of Overbids. For clarity, the Stalking Horse Bid or any Overbid made by the Stalking Horse Bidder may form part of an Aggregated Bid or Aggregated Overbid;
- (iii) Failure to Submit an Overbid. If, at the end of any round of bidding, a Qualified Bidder or Aggregated Bidder (other than the Qualified Bidder or Aggregated Bidder that submitted the Opening Bid for such round) fails to submit an Overbid, then such Qualified Bidder may not participate in the next round of bidding at the Auction. Any Qualified Bidder or Aggregated Bidder that submits an Overbid or Aggregated Overbid during a round (including the Qualified Bidder or Aggregated Bidder that submitted the Opening Bid for such round) shall be entitled to participate in the next round of bidding at the Auction;
- (iv) Overbids. All Bids made during the Auction shall be “Overbids”. Overbids will be submitted in a form to be determined by the Receiver, in its sole discretion, including further revised and executed Proposed Purchase Agreements. The identity of each Qualified Bidder and all material terms of each Overbid shall be fully disclosed to all other Qualified Bidders participating in the Auction. The Receiver shall maintain a transcript of the Opening Bid and all Overbids made and announced at the Auction, including the Winning Bid(s) (as defined below) and the Back-Up Bid(s) (as defined below). To be considered an “Overbid”, a Bid made during the Auction must satisfy the following criteria:
 - (a) Minimum Consideration. The amount of purchase price consideration of any Overbid shall not be less than the purchase price consideration of the Opening Bid of the applicable round of bidding plus \$100,000.00 or such lower or higher amount as the Receiver may determine in advance of such round of bidding in order to facilitate the Auction (the “**Minimum Overbid Increment**”); provided, however, that if an Overbid relates to less than all of the Purchased Assets then the purchase price consideration of such Overbid need only be the purchase price consideration of such Bidder’s prior Bid plus \$100,000.00 or such lower or higher amount as the Receiver may determine in advance of such round of bidding in order to facilitate the Auction; and
 - (b) Remaining terms are the same as for Qualified Bids. Except as modified herein, an Overbid must comply with the conditions for a Bid set forth in Section 7 above; provided, however, that the Bid Deadline shall not apply and Overbids need not be accompanied by additional cash deposits (subject to subsection (vii) hereof). To the extent not previously

provided (which shall be determined by the Receiver), a Qualified Bidder submitting an Overbid must submit, as part of its Overbid, evidence acceptable to the Receiver demonstrating such Qualified Bidder's ability (including financial ability) to close the transaction contemplated by its Overbid;

- (v) Announcing Highest Overbids. At the end of each round of bidding, the Receiver, with the assistance of its advisors, shall: (a) immediately review each Overbid made in such round; (b) identify the highest and/or best Overbid or Aggregated Overbid; and (c) announce the terms of such highest and/or best Overbid or Aggregated Overbid to all Qualified Bidders entitled to participate in the next round of bidding. Such highest and/or best Overbid or Aggregated Overbid shall be the Opening Bid for the next round of the Auction;
- (vi) Adjournments. The Receiver reserves the right, in its reasonable business judgment, to make one or more adjournments in the Auction to, among other things: (a) facilitate discussions between the Receiver and individual Qualified Bidders, including any discussion, negotiation or clarification of any Overbid; (b) allow individual Qualified Bidders to consider how they wish to proceed; (c) consider and determine the current highest and/or best Overbid or Aggregated Overbid at any given time during the Auction; (d) give Qualified Bidders the opportunity to provide the Receiver with such additional evidence as it may require, in its reasonable business judgment, that the Qualified Bidder has sufficient internal resources or has received sufficient non-contingent debt and/or equity funding commitments to consummate the proposed transaction at the Overbid amount; and (e) subject to such rules and guidelines as the Receiver may consider appropriate, facilitate any appropriate consultation by the Receiver and/or Qualified Bidders with third party stakeholders;
- (vii) Closing the Auction. If, in any round of bidding, no Overbid or Aggregated Overbid is made, the Auction shall be closed and the Receiver shall, with the assistance of its advisors: (a) declare the last Opening Bid as the winning Bid(s) (the "**Winning Bid(s)**" and the party or parties submitting such Winning Bid(s), the "**Winning Bidder(s)**"); (b) immediately review the other Overbids or Aggregated Overbids made in the previous round (or the Qualified Bids and Aggregated Bids if no Overbids were made at the Auction) and identify and record the next highest and/or best Overbid or Aggregated Overbid (or Qualified Bid or Aggregated Bid) (the "**Back-Up Bid(s)**" and the party or parties submitting such Back-Up Bid(s), the "**Back-Up Bidder(s)**"); and (c) advise the Winning Bidder(s) and the Back-Up Bidder(s) of such determinations and all other Qualified Bidders that they are not a Winning Bidder or a Back-Up Bidder.

To the extent not already provided, the Winning Bidder(s) and the Back-Up Bidder(s) shall each, within two (2) business days of the conclusion of the Auction, provide the Receiver with an additional cash deposit to increase its original Good Faith Deposit to equal at least ten percent (10%) of the total cash purchase price contemplated by its Winning Bid or Back-Up Bid, as applicable, to be held by the Receiver in trust as such party's "Good Faith Deposit" in accordance with these Bidding Procedures. For greater certainty, the preceding sentence applies equally to the Stalking Horse Bidder if the Stalking Horse Bidder submits an Overbid which is determined to be a Winning Bid or Back-Up Bid;

- (viii) Consent to Jurisdiction as Condition to Bid. All Qualified Bidders shall be deemed to have consented to the exclusive jurisdiction of the Court and waived any right to a jury trial in

connection with any disputes relating to the Auction, and the construction and enforcement of the Qualified Bidder's transaction documents, as applicable;

- (ix) Break-Up Fee. In the event that the Stalking Horse Bidder is not the Winning Bidder, the Break-Up Fee of \$50,000.00 shall be payable to the Stalking Horse Bidder in accordance with the terms of the Stalking Horse Agreement from the proceeds received upon closing the Winning Bid or Back-Up Bid, as applicable; and
- (x) No Collusion. Each Qualified Bidder shall be required to confirm that it has not engaged in any discussions or any other collusive behaviour with respect to the submissions of Overbids. The Receiver may permit discussions between Qualified Bidders at the Auction, subject to such rules and guidelines as the Receiver considers appropriate.

10. Receiver's Reservation of Rights

In addition to the other reservations of rights set out herein, the Receiver reserves the right in its reasonable discretion to: (a) waive strict compliance with any one or more of the Bid requirements specified herein, and deem such non-compliant Bids to be Qualified Bids; provided that such non-compliance is not material in nature; (b) reject any or all Bids if, in the Receiver's reasonable business judgment, no Bid is for fair and adequate consideration; and (c) adopt such ancillary and procedural rules not otherwise set out herein for these Bidding Procedures (including rules that may depart from those set forth herein) that in its reasonable business judgment will better promote the goals of these Bidding Procedures and facilitate the Auction, provided that the adoption of any rule that materially deviates from these Bidding Procedures shall require an order of the Court.

11. Sale Motion

The Receiver shall, within seven (7) business days of the conclusion of the Auction, or if there is no Auction, within seven (7) business days of the Bid Deadline, serve notice of a motion seeking approval of the Winning Bidder(s) and the sale of the applicable Property to the Winning Bidder(s) free and clear of all liens and encumbrances, other than those liens and encumbrances expressly to be assumed by the Winning Bidder(s) (the "Sale Motion"). At the Sale Motion, the Receiver may also seek, in its sole discretion, conditional approval of the Back-Up Bid(s) authorizing the Receiver to close the Back-Up Bid(s) if the Winning Bid(s) is/are not closed by the Closing Date.

12. Closing the Winning Bid

The Receiver and the Winning Bidder(s) shall take all reasonable steps to complete the sale transaction contemplated by the Winning Bid(s) as soon as possible after the Winning Bid(s) are approved by the Court. Notwithstanding the foregoing, in the event that there is more than one Winning Bid, the Receiver reserves the right to impose a condition in each Winning Bid that the obligation of the Receiver to complete the sale transaction contemplated by each Winning Bid is conditional upon the completion of the transaction(s) contemplated by each other Winning Bid. The Receiver will be deemed to have accepted the Winning Bid(s) only when the Winning Bid(s) has/have been approved by the Court. If the transaction(s) contemplated by the Winning Bid(s) has/have not closed by the Closing Date or the Winning Bid(s) is/are terminated for any reason prior to the Closing Date, the Receiver may elect, in its sole discretion to seek to complete the transaction(s) contemplated by the Back-Up Bid(s), and upon making such election, the Receiver will seek Court approval of the Back-Up Bid(s) (if such approval has

not already been obtained) and promptly seek to close the transaction(s) contemplated by the Back-Up Bid(s) after such Court approval. The Back-Up Bid(s) will be deemed to be the Winning Bid(s) and the Receiver will be deemed to have accepted the Back-Up Bid(s) only when the Back-Up Bid(s) has/have been approved by the Court and the Receiver has made such election.

13. Return of Good Faith Deposit

- (i) All Good Faith Deposits shall be held in an interest-bearing account until returned to the applicable Bidder or otherwise dealt with in accordance with this Section 13;
- (ii) Good Faith Deposits of all Bidders who are determined not to be Qualified Bidders shall be returned to such Bidders two (2) business days after the day on which the Bidder is notified that it is not a Qualified Bidder;
- (iii) Good Faith Deposits of all Qualified Bidders other than the Winning Bidder(s) and the Back-Up Bidder(s) shall be returned to such Qualified Bidders two (2) business days after the day on which one or more Winning Bidders is selected;
- (iv) The Good Faith Deposit(s) of the Winning Bidder(s) shall be applied to the purchase price of such transaction(s) at closing. If the Winning Bid(s) fail(s) to close by the Termination Date because of a breach or failure to perform on the part of the Winning Bidder(s), the Receiver shall be entitled to retain the Good Faith Deposit of the applicable Winning Bidder(s) as part of its damages resulting from the breach or failure to perform by the applicable Winning Bidder(s). The Good Faith Deposit of the Winning Bidder(s) shall otherwise be returned to the Winning Bidder(s) in accordance with the terms of the Winning Bid(s);
- (v) If the Back-Up Bid(s) has/have not been deemed to be a Winning Bid(s), the Good Faith Deposit(s) of the Back-Up Bidder(s) shall be returned to the Back-Up Bidder(s) as soon as practicable after the earlier of: (a) the closing of the transaction(s) contemplated by the Winning Bid(s); (b) the date on which the Receiver provides written notice to the Back-Up Bidder(s) that the Receiver will not elect to complete the transaction(s) contemplated by the Back-Up Bid(s); and (c) the Termination Date; and
- (vi) If a Back-Up Bid is deemed to be a Winning Bid, the Good Faith Deposit of such Back-Up Bidder shall be applied to the purchase price of such transaction at closing. If a Back-Up Bid fails to close by the Termination Date because of a breach or failure to perform on the part of such Back-Up Bidder, the Receiver shall be entitled to retain the Good Faith Deposit of such Back-Up Bidder as part of its damages resulting from the breach or failure to perform by such Back-Up Bidder. The Good Faith Deposit of a Back-Up Bidder shall otherwise be returned to the applicable Back-Up Bidder in accordance with the terms of its Back-Up Bid.

**IN THE MATTER OF THE RECEIVERSHIP OF
ELEMENTA GROUP INC.**

Commercial List File No. CV-15-11198-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceedings commenced at
Toronto**

**ORDER
(Stalking Horse and Sales Process)**

**GOLDMAN SLOAN NASH & HABER LLP
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Lawyers for Richter Advisory Group Inc., in its capacity as
the Court appointed Receiver of Elementa Group Inc.

APPENDIX D

RICHTER

Richter Advisory Group Inc.
181 Bay Street, 33rd Floor
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ELEMENTA GROUP INC.

**FIRST REPORT OF RICHTER ADVISORY GROUP INC.,
IN ITS CAPACITY AS RECEIVER OF
ELEMENTA GROUP INC.**

FEBRUARY 16, 2016

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**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF THE RECEIVERSHIP OF
ELEMENTA GROUP INC.

**FIRST REPORT OF RICHTER ADVISORY GROUP INC.,
IN ITS CAPACITY AS COURT APPOINTED RECEIVER OF THE
PROPERTIES, ASSETS AND UNDERTAKING OF
ELEMENTA GROUP INC.**

February 16, 2016

Introduction

1. On November 30, 2015, the Honourable Mr. Justice Hailey of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”), issued an interim order (the “**Interim Order**”) authorizing Richter Advisory Group Inc. (“**Richter**”) to take possession of Elementa Group Inc.’s (“**Elementa**” or the “**Company**”) computer server and certain boxes containing notes and other records referable to the data on the server (the “**Computer and Other Records**”), on an interim basis, as interim custodian pending the return of the application by Bennett Jones LLP (“**Bennett Jones**”) for the appointment of a receiver over the property, assets and undertakings of Elementa. A copy of the Interim Order is attached as **Appendix “A”** to this report.
2. On December 21, 2015, (the “**Date of Appointment**”), the Court issued an order (the “**Appointment Order**”) appointing Richter as receiver (the “**Receiver**”) pursuant to section 243 (1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c.B-3, as amended, (the “**BIA**”) and section 101 of the *Courts of Justice Act* R.S.O. 1990 c. 43, as amended, without security, of all of the properties, assets and undertakings (the “**Property**”) of Elementa. A copy of the Appointment Order is attached as **Appendix “B”** to this report.

Purpose of this Report

3. This is the first report of the Receiver (the “**First Report**”), the purpose of which is to provide information to this Court in respect of the following:
 - (a) a limited summary of certain background information about Elementa;
 - (b) the activities of Richter and the Receiver subsequent to the granting of the Interim Order and the Appointment Order, respectively;
 - (c) the terms of an Agreement of Purchase and Sale dated February 12, 2016 (the “**Stalking Horse APS**”) between the Receiver and Bradam Canada Inc. (“**Bradam**” or the “**Stalking Horse Bidder**”) for the sale of substantially all of Elementa’s business and assets which, subject to the approval of this Court, would act as the stalking horse sale agreement (the “**Stalking Horse Bid**”);

- (d) the Receiver's proposed process for the sale of the Property (the "**Sales Process**"), including the bidding procedures to be used in connection with the Sales Process;
- (e) the reasons why the Receiver believes that the Stalking Horse Bid and the Sales Process should be approved by this Court; and
- (f) the Receiver's recommendation that this Court make an order(s);
 - (i) approving the Stalking Horse Bid and the Sales Process; and
 - (ii) approving the First Report and the activities of the Receiver as set out therein.

Terms of Reference

4. In preparing this First Report, the Receiver has relied upon unaudited financial and other information previously prepared by the Company and/or its representatives as well as other information supplied by Bennett Jones, the Company's former management and others (collectively, the "**Information**"). The Receiver has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided and in consideration of the nature of the evidence provided to this Honourable Court, in relation to the relief being sought herein. The Receiver has not, however, audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Canadian Institute of Chartered Accountants Handbook and, as such, the Receiver expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
5. The information contained in this First Report is not intended to be relied upon by any prospective purchaser or investor in any transaction with the Receiver.
6. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

General Background to the Receivership Proceedings

7. Elementa, which was incorporated pursuant to the *Business Corporations Act* (Ontario), is an early stage development company that owns and controls intellectual property rights to a waste conversion process to efficiently and economically convert municipal solid waste into clean synthetic gas, which has properties and utility values similar to natural gas. The synthetic gas and resultant heat can be used to power turbines, engines or fuel cells for the generation of electricity, distilled into ethanol or hydrogen or used as process heat and gas (natural gas replacement). The Company's registered head office is leased premises located at 509 Glendale Avenue E., Suite 302, Niagara-on-the-Lake, Ontario (the "**Premises**").
8. Elementa is the sole limited partner of Elementa Algoma LP, an Ontario limited partnership, whose general partner is Elementa Algoma Inc. The shares of Elementa Algoma Inc. are wholly owned by Elementa Holdings Ltd. and the shares of Elementa Holdings Ltd. are wholly owned by Elementa. A copy of Elementa's corporate chart is attached as **Appendix "C"** to this report.
9. Commencing in or about 2003, the Company began raising capital for the construction of a pilot plant to test and develop a process to convert waste material into a clean energy source in an efficient and cost effective manner. The Company was successful in raising sufficient funds to construct a pilot plant in Sault Ste. Marie, Ontario ("**SSM**"), which facility began processing unsorted municipal solid waste in or about October 2007. The pilot plant, which the Receiver understands underwent third party verification and received Ontario Ministry of Environment and Climate Change approval, provided Elementa the opportunity to both test and optimize various aspects of its proprietary process.
10. Based on the successful results from its pilot plant, Elementa entered into discussions with several municipalities and industrial partners for the construction of full-scale facilities. These discussions culminated in Elementa Algoma LP (the vehicle which would develop the Project, as hereinafter defined) becoming a party to certain contracts in relation to the planned construction of a municipal waste processing facility to produce electricity in SSM (the "**Project**").
11. For the purposes of the Project, Elementa entered into a Waste Supply and Reformation Agreement with the Corporation of the City of Sault Ste. Marie dated October 26, 2009, as amended, assigned and novated from time to time (collectively, the "**Waste Agreement**").

12. Subsequent to entering into the Waste Agreement, Elementa Algoma LP entered into an energy from waste contract for the Project (the “**EFW Contract**”) with the Ontario Power Authority (now the Independent Electricity System Operator (“**IESO**”)) dated December 18, 2013.
13. In addition to the above and notwithstanding its financial difficulties, Elementa also secured the site for the Project by arranging for the purchase of the land for the Project site (the “**Project Lands**”) from the Corporation of the City of Sault Ste. Marie by 2124732 Ontario Inc. (“**212**”), a corporation owned by a shareholder and creditor of Elementa. Following its purchase of the Project Lands, 212 entered into a lease with Elementa Algoma LP for the Project Lands (the “**Lease**”). The Waste Agreement, the EFW Contract and the Lease are collectively referred to herein as the “**SSM Project Contracts**”.
14. The SSM Project Contracts contain certain deadlines for the construction and commercial operation of the Project. Pursuant to one such contract, the construction of the Project must be commenced on or before May 1, 2016. The undertaking to construct the Project required Elementa to raise significant capital (approximately \$50 – \$55 million). Unfortunately, Elementa was unsuccessful in raising sufficient funding to adequately address its capital needs and realize value from the SSM Project Contracts. Ultimately, due to its inability to raise sufficient funds to continue operations and advance the Project, Elementa was forced to lay off its workforce. The employment of the last two employees was terminated on October 6, 2015. As at the Date of Appointment, it was the Receiver’s understanding that Elementa was not an operating business, had no employees and no source of revenue.
15. According to the Company’s most recent internal, unaudited financial statements, as at December 31, 2014, the Property consisted of the following:

Assets	Net Book Value (\$000s)
Cash and Cash Equivalents	15
HST Accounts Receivable	23
Due From Shareholders	150
Sault Ste Marie Commercial Design	865
Fixed Assets	78
Total	1,131

Note: The above amounts represent book values of the Company’s assets as detailed in the Company’s book and records and do not necessarily represent the sale or liquidation value of the Property.

16. As Elementa had no employees or active business operations at the Date of Appointment, the Receiver was forced to rely on the Company's books and records, which were not current or complete, and other available documents to generate a list of Elementa's creditors.
17. According to a search of the Personal Property Security Registration System (Ontario), as at the Date of Appointment, the parties holding security on the Property (collectively, the "**Secured Creditors**") as well as the approximate amount of their respective claims against Elementa, were as follows:

Bennett Jones LLP	\$	3,000,000
Her Majesty in Right of Ontario (Ministry of Finance)		unknown
2124732 Ontario Inc.		unknown
Gary Blokhuis D.B.A. Blokhuis Holdings		unknown
Sharon D'Amico		unknown
David D'Amico		unknown

18. In addition to the amounts owed by Elementa to its Secured Creditors, according to the Company's books and records, Elementa has accrued and unpaid unsecured obligations totaling approximately \$7 million.

Activities of Richter and the Receiver

19. As noted previously in this First Report, on November 30, 2015, the Court granted the Interim Order which authorized Richter to take possession of Elementa's Computer and Other Records, on an interim basis, pending further order of the Court. On the same date, Richter took possession of the Company's Computer and other Records.
20. Subsequent to the Date of Appointment, the Receiver's activities have included:
 - (a) sending the prescribed notice, in accordance with Sections 245(1) and 246(1) of the BIA, within 10 days of the issuance of the Appointment Order, to all known creditors of the Company;
 - (b) establishing a website at www.richter.ca/en/insolvency-cases/e/elementa-group-inc, where all materials filed with the Court, and all orders made by the Court in connection with the receivership proceedings, will be available in electronic form;

- (c) arranging for the closing of Elementa's bank accounts and opening a new bank account under the Receiver's name;
- (d) attending at the Premises, including discussions with the landlord (and its counsel) to, among other things, review and inspect the Premises and take possession of certain of Elementa's books and records and other Property located at the Premises;
- (e) arranging for the redirection of Elementa's mail from the Premises to the Receiver's offices;
- (f) corresponding with third parties, including certain former employees and directors/officers of Elementa, that the Receiver had been advised may have Elementa files/documents or other Elementa assets in their possession;
- (g) communicating with representatives of SSM regarding the Project and other matters in connection with Elementa and the receivership proceedings;
- (h) communicating with representatives of the IESO regarding the EFW Contract and other matters in connection with Elementa and the receivership proceedings;
- (i) communicating with representatives of the Canada Revenue Agency in connection with Elementa and the receivership proceedings;
- (j) communicating with representatives of the Ontario Ministry of the Environment and Climate Change in connection with Elementa and the receivership proceedings;
- (k) communicating with certain prospective purchasers regarding Elementa, the Property, the receivership proceedings and their interest in submitting a stalking horse bid or participating in the Sales Process;
- (l) communicating with counsel for 212 regarding the Project Lands and other matters in connection with the receivership proceedings;
- (m) considering processes to market Elementa's business and/or assets, including developing the Sales Process and negotiating the Stalking Horse Bid;

- (n) preparing the Teaser Letter (as hereinafter defined), the form of Confidentiality Agreement (as hereinafter defined) and the list of prospective purchasers;
- (o) corresponding and communicating with Bennett Jones LLP, Elementa's primary and first-ranking secured creditor;
- (p) responding to calls and enquiries from creditors and other stakeholders regarding Elementa and the receivership proceedings; and
- (q) preparing this First Report.

Stalking Horse Bid

21. The Receiver, Bradam and their respective counsel have negotiated the terms and provisions of the Stalking Horse Bid, a summary of which is as follows (all terms not otherwise defined herein shall have the meanings as defined in the Stalking Horse APS):

- (a) the purchased assets include all assets, undertakings and properties of Elementa, other than the Excluded Assets, acquired for or used in relation to the Company's business. Specifically, the purchased assets include Elementa's shares in Elementa Algoma LP, Elementa Algoma Inc. and Elementa Holdings Ltd. as well as, but not limited to the following:
 - (i) the Inventory;
 - (ii) the Intellectual Property;
 - (iii) the Equipment;
 - (iv) all insurance policies and all claims to proceeds thereunder;
 - (v) any websites or other internet-based branding or marketing;
 - (vi) the Assumed Contracts;
 - (vii) the Books and Records;
 - (viii) the Licenses;
 - (ix) the Company's goodwill; and
 - (x) other assets as detailed in the Stalking Horse APS (collectively, the "**Purchased Assets**");

- (b) the Purchased Assets specifically exclude: cash, cash equivalents, pre-paid expenses, refunds, including, without limitation, insurance refunds and GST/HST rebates as well as any of the Purchased Assets the Stalking Horse Bidder elects to exclude from the Stalking Horse Bid upon written notice to the Receiver;
- (c) the Purchase Price payable by the Stalking Horse Bidder for the Purchased Assets is \$1,500,000;
- (d) the Stalking Horse Bidder is to pay a deposit in the amount of \$150,000 (the “**Deposit**”) to be held in trust by the Receiver’s counsel. The Stalking Horse Bidder is required to pay the Deposit to the Receiver on or before February 18, 2015;
- (e) the payment of a break-up fee in the amount of \$50,000 (the “**Break-Up Fee**”) to the Stalking Horse Bidder in the event that it is not the Winning Bidder. The Break-Up Fee of \$50,000 represents approximately 3.3% of the purchase price for the Purchased Assets and is inclusive of the Stalking Horse Bidder’s direct expenses in negotiating and finalizing the Stalking Horse APS. The Receiver is of the view that the Break-Up Fee is reasonable in the circumstances, consistent with amounts generally seen in insolvency proceedings, and largely represents an expense reimbursement in the event that the Stalking Horse Bidder is not the Winning Bidder. Further, in the Receiver’s view, the Break-Up Fee will not discourage Potential Bidders (as hereinafter defined) from submitting an offer that is superior to the Stalking Horse Bid;
- (f) the Stalking Horse Bid is scheduled to close on or before April 8, 2016;
- (g) the Stalking Horse Bid is subject to certain conditions, the following of which are the only material conditions precedent to the transaction:
 - (i) Bradam being selected as the Winning Bidder in accordance with the Sales Process discussed below; and
 - (ii) the Court approving the Stalking Horse Bid and granting a Vesting Order in favour of the Stalking Horse Bidder for the Purchased Assets.

22. In the Receiver's view, the terms of the Stalking Horse Bid are consistent with standard insolvency transactions, including that the transaction is to be completed on an "as is, where is" basis and contains only basic conditions, which are reasonable in the circumstances. A copy of the Stalking Horse APS is attached hereto as **Appendix "D"**.

Proposed Sales Process and Bidding Procedures

23. The Receiver notes that prior to the Date of Appointment, Elementa did not actively market the Company's assets. The Receiver does, however, understand that in or about July 2015 Elementa retained Kyudoka Capital Corporation as its advisor to assist Elementa in securing financing for its operations, including the Project (the "**Investment Solicitation Process**"). The Receiver further understands that although the Investment Solicitation Process generated interest from several parties, the Investment Solicitation Process did not result in any firm commitments to invest in or otherwise finance Elementa's operations, including the Project. The Receiver also understands that the Company attempted to canvass the market for potential debtor in possession financiers in support of an abortive NOI proceeding. This was abandoned when there was a purported change in the constitution of the Company's board resulting in this receivership, however, the Receiver understands that the process did reveal that there were several prospective lenders who were interested in exploring such an opportunity with a view to owning the Property or parts thereof.
24. Given the recent unsuccessful Investment Solicitation Process, the abortive NOI proceeding undertaken by the Company, and the approaching deadline for the commencement of construction for the Project, the Receiver in consultation with its counsel developed the Sales Process as a means of establishing a benchmark for the Purchased Assets and providing a forum for prospective purchasers to present a bid(s) superior to that contemplated by the Stalking Horse Bid on a timeline to meet the financial and timing exigencies of these circumstances. Among other things, the Sales Process includes bidding procedures (the "**Bidding Procedures**") that incorporate the Stalking Horse Bid and the ability of the Receiver to conduct an auction (the "**Auction**") if qualified and competitive bids for the Purchased Assets are received. The Bidding Procedures are attached hereto as **Appendix "E"**.

25. The Sales Process and Bidding Procedures are summarized as follows:
- (a) as soon as possible following the issuance of a Court order approving the Sales Process and the Bidding Procedures, the Receiver will distribute an initial offering summary (the “**Teaser Letter**”) and form of confidentiality agreement (the “**Confidentiality Agreement**”) to a list of prospective purchasers and investors (“**Potential Bidders**”), which list has already been developed by the Receiver;
 - (b) Potential Bidders that wish to commence due diligence will be required to sign the Confidentiality Agreement. Once a Confidentiality Agreement has been signed by a Potential Bidder (now an “**Interested Party**”), they will receive access to an electronic data room that has been populated by the Receiver. The Receiver will facilitate due diligence efforts, including responding to questions from Interested Parties;
 - (c) Interested Parties will be provided with a copy of the Stalking Horse APS and will be required to submit offers in the form of the Stalking Horse APS. Any changes and/or modifications to the Stalking Horse APS are to be indicated on a blackline to the Stalking Horse APS (including, if applicable, any modifications made to reflect the Property or parts thereof sought to be purchased), which is to be submitted along with the execution version of the agreement;
 - (d) after completion of the due diligence period, each Interested Party is required to submit an offer to acquire all or part of the Property to the Receiver by no later than 12:00 p.m. (EST) on March 21, 2016 (the “**Bid Deadline**”);
 - (e) the minimum aggregate consideration of a bid(s) for all of the Purchased Assets must be at least \$1,650,000 (the “**Minimum Purchase Price**”). However, if an Interested Party is submitting a bid for less than all of the Purchased Assets, such bid is not subject to the Minimum Purchase Price;
 - (f) all offers must be accompanied by a deposit payable to the Receiver, in trust, in an amount equal to at least 10% of the aggregate purchase price of the subject bid;
 - (g) all offers must be on terms no less favourable and no more burdensome or conditional than the Stalking Horse APS;

- (h) all offers must not contain any contingency relating to due diligence or financing or any other material conditions precedent to the bidder's obligation to complete the transaction that are not otherwise contained in the Stalking Horse APS;
- (i) all offers must contain evidence satisfactory to the Receiver of the bidder's financial ability to close the proposed transaction by the closing date;
- (j) the Receiver shall have discretion to consult and negotiate with any participating bidder with respect to their bid;
- (k) once all bids are clarified, the Receiver shall review all bids and determine, in its reasonable judgment, those bidders, if any, that are qualified to participate in the Auction ("**Qualified Bidders**");
- (l) in the event that there is no Qualified Bidder other than the Stalking Horse Bidder, the Receiver shall bring a motion as soon as reasonably possible after the Bid Deadline for approval of the Stalking Horse APS and an order to vest the right, title and interest of Elementa in the Purchased Assets in the Stalking Horse Bidder and proceed with the closing of the Stalking Horse Bid forthwith;
- (m) in the event that there is more than one Qualified Bidder (the Stalking Horse Bidder is automatically deemed to be a Qualified Bidder), the Receiver will send notice to any Qualified Bidders, on or before March 23, 2016, advising of: (i) the date, time and location of the Auction, (ii) a copy of the opening bid (the "**Opening Bid**"), and (iii) the procedures pursuant to which the Auction is to be conducted;
- (n) Qualified Bidders must notify the Receiver, in writing, by no later than March 24, 2016, of their intention to participate in the Auction;
- (o) if the only Qualified Bidder electing to participate in the Auction is the bidder that submitted the Opening Bid (the "**Threshold Bidder**"), the Threshold Bidder shall be deemed to be the successful bidder, subject to Court approval;
- (p) in circumstances where more than one Qualified Bidder elects to participate in the Auction, the Auction shall take place on March 25, 2016;

- (q) bidding at the Auction shall begin with the Opening Bid and each subsequent round of bidding shall continue in minimum increments of \$100,000 or such lower or higher amount as the Receiver may determine in advance of such round of bidding in order to facilitate the Auction (the “**Minimum Overbid Increment**”);
 - (r) if at the end of any round of bidding an Auction participant fails to submit an overbid, such Auction participant will not be eligible to participate in the next round of the Auction. The Receiver, however, reserves the right to establish such timelines and protocols for the Auction as it considers appropriate, in its discretion, to better promote the goals of the Bidding Procedures and facilitate the Auction, provided that the adoption of any rule that materially deviates from the Bidding Procedures shall require an order of the Court; and
 - (s) upon conclusion of the Auction, the Auction shall be closed and the Receiver shall declare the last Opening Bid the successful bid, subject to approval of this Honourable Court.
26. The proposed Sales Process and Bidding Procedures contemplate a 30-day period to market the Property to Potential Bidders. In the Receiver’s view, this timeline is sufficient to allow interested parties to perform due diligence and to submit offers. In addition, the Receiver does not have access to sufficient funding to support a lengthy sale process.
27. The duration of the proposed Sales Process and the existence of the Stalking Horse Bid should create certainty for all stakeholders. As noted previously in this First Report, the SSM Project Contracts contain certain fast approaching deadlines to commence construction of the Project that, in the Receiver’s view, do not support a lengthy sale process. In the circumstances, it is the Receiver’s view that 30-days is sufficient time for Potential Bidders to conduct due diligence on the Property.
28. The Sales Process appears reasonable in that it will provide a benchmark for the Purchased Assets and provide a forum and a deadline to permit and encourage any serious alternative bidders to come forward with firm purchase offers.
29. Further, the Receiver is of the view that the proposed Sales Process exposes the Property to the market for a reasonable time, is transparent and is designed to obtain the highest and best value for the Property given the Company’s current circumstances and stated timeline.

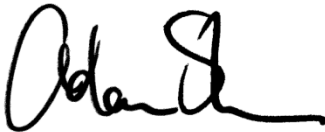
Recommendation

30. Based on the foregoing, the Receiver respectfully recommends that this Honourable Court make the Order(s) granting the relief detailed in paragraph 3(f) of this Report.

All of which is respectfully submitted this 16th day of February, 2016.

**Richter Advisory Group Inc.
in its capacity as Receiver of
Elementa Group Inc.**

Per:



Adam Sherman, MBA, CIRP
Senior Vice President



Pritesh Patel, MBA, CFA, CIRP
Vice President

APPENDIX E

Request ID: 018735157
Transaction ID: 60536441
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2016/03/14
Time Report Produced: 14:14:18
Page: 1

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date
1137800	NORTHGUARD CAPITAL CORP.	1995/11/06
		Jurisdiction
		ONTARIO
Corporation Type	Corporation Status	Former Jurisdiction
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE
Registered Office Address		Date Amalgamated
509 GLENDALE AVENUE EAST		NOT APPLICABLE
Suite # 302		New Amal. Number
NIAGARA-ON-THE-LAKE		NOT APPLICABLE
ONTARIO		Notice Date
CANADA LOS 1J0		NOT APPLICABLE
Mailing Address		Letter Date
509 GLENDALE AVENUE EAST		NOT APPLICABLE
Suite # 302		Revival Date
NIAGARA-ON-THE-LAKE		NOT APPLICABLE
ONTARIO		Continuation Date
CANADA LOS 1J0		NOT APPLICABLE
		Transferred Out Date
		NOT APPLICABLE
		Cancel/Inactive Date
		NOT APPLICABLE
		EP Licence Eff.Date
		NOT APPLICABLE
		EP Licence Term.Date
		NOT APPLICABLE
	Number of Directors	Date Commenced
	Minimum Maximum	in Ontario
	00001 00005	NOT APPLICABLE
Activity Classification		Date Ceased
NOT AVAILABLE		in Ontario
		NOT APPLICABLE

Request ID: 018735157
Transaction ID: 60536441
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2016/03/14
Time Report Produced: 14:14:18
Page: 2

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
1137800	NORTHGUARD CAPITAL CORP.

Corporate Name History	Effective Date
NORTHGUARD CAPITAL CORP.	1995/11/06

Current Business Name(s) Exist:	NO
Expired Business Name(s) Exist:	NO

Administrator: Name (Individual / Corporation)	Address
ANDREW FERRI	10941 NIAGARA RIVER PKWY NIAGARA FALLS ONTARIO CANADA L2E 6S6

Date Began	First Director	
1997/01/14	NOT APPLICABLE	
Designation	Officer Type	Resident Canadian
OFFICER	PRESIDENT	

Request ID: 018735157
Transaction ID: 60536441
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2016/03/14
Time Report Produced: 14:14:18
Page: 3

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
1137800	NORTHGUARD CAPITAL CORP.

Administrator: Name (Individual / Corporation)	Address
ANDREW FERRI	10941 NIAGARA RIVER PKWY NIAGARA FALLS ONTARIO CANADA L2E 6S6

Date Began	First Director	
1997/01/14	NOT APPLICABLE	
Designation	Officer Type	Resident Canadian
OFFICER	SECRETARY	

Administrator: Name (Individual / Corporation)	Address
KIM FERRI	10569 MONTROSE ROAD PORT ROBINSON ONTARIO CANADA LOS 1K0

Date Began	First Director	
2011/11/15	NOT APPLICABLE	
Designation	Officer Type	Resident Canadian
DIRECTOR		Y

Request ID: 018735157
Transaction ID: 60536441
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2016/03/14
Time Report Produced: 14:14:18
Page: 4

CORPORATION PROFILE REPORT

Ontario Corp Number

Corporation Name

1137800

NORTHGUARD CAPITAL CORP.

Last Document Recorded

Act/Code	Description	Form	Date
CIA	CHANGE NOTICE	1	2014/11/25 (ELECTRONIC FILING)

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

The issuance of this report in electronic form is authorized by the Director of Companies and Personal Property Security Branch.

APPENDIX F

Request ID: 018722790
Transaction ID: 60503494
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2016/03/10
Time Report Produced: 10:53:21
Page: 1

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date
1872306	ELEMENTA SSM INC.	2012/07/18
		Jurisdiction
		ONTARIO
Corporation Type	Corporation Status	Former Jurisdiction
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE
Registered Office Address		Date Amalgamated
509 GLENDALE AVE E		NOT APPLICABLE
Suite # 302		New Amal. Number
NIAGARA-ON-THE-LAKE		NOT APPLICABLE
ONTARIO		Notice Date
CANADA LOS 1J0		NOT APPLICABLE
Mailing Address		Letter Date
NOT AVAILABLE		NOT APPLICABLE
		Revival Date
		NOT APPLICABLE
		Transferred Out Date
		NOT APPLICABLE
		EP Licence Eff.Date
		NOT APPLICABLE
		EP Licence Term.Date
		NOT APPLICABLE
	Number of Directors	Date Commenced
	Minimum Maximum	in Ontario
	00001 00005	NOT APPLICABLE
Activity Classification		Date Ceased
NOT AVAILABLE		in Ontario
		NOT APPLICABLE

Request ID: 018722790
Transaction ID: 60503494
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2016/03/10
Time Report Produced: 10:53:21
Page: 2

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
1872306	ELEMENTA SSM INC.

Corporate Name History	Effective Date
ELEMENTA SSM INC.	2012/07/18

Current Business Name(s) Exist:	NO
Expired Business Name(s) Exist:	NO

Administrator: Name (Individual / Corporation)	Address
JAYSON ZWIERSCHKE	509 GLENDALE AVE E Suite # 302 NIAGARA-ON-THE-LAKE ONTARIO CANADA L0S 1J0

Date Began	First Director	
2012/07/18	YES	
Designation	Officer Type	Resident Canadian
DIRECTOR		Y

Request ID: 018722790
Transaction ID: 60503494
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2016/03/10
Time Report Produced: 10:53:21
Page: 3

CORPORATION PROFILE REPORT

Ontario Corp Number

Corporation Name

1872306

ELEMENTA SSM INC.

Last Document Recorded

Act/Code Description

Form

Date

BCA ARTICLES OF INCORPORATION

1

2012/07/18

**THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.
ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.**

The issuance of this report in electronic form is authorized by the Director of Companies and Personal Property Security Branch.

APPENDIX G

PROMISSORY NOTE

Due: On November 30th, 2008

In consideration of Northguard Capital Corp. ("Northguard Capital") loaning to EnQuest Power Corporation (hereinafter "EnQuest") the sum of \$300,00.00 (the "Loan Amount"), EnQuest hereby promises to repay Northguard Capital as follows:

- a) \$315,000.00 on or before November 30th, 2008; and
- b) all interest accrued on the Loan Amount at an annual rate of 15% from the date of receipt by EnQuest of the Loan Amount to the date of receipt by Northguard Capital of the amount described in subparagraph a above.

Should there be an Event of Default, as defined as described in the General Security Agreement entered into between the parties on or about August 13th 2008, then all payments due and owing under this Promissory Note shall immediately become due and payable. The General Security Agreement for reference purposes is attached as Schedule "A" to this Promissory Note.

This Promissory Note shall be binding upon EnQuest's successors and assigns.

Dated this 14th day of August, 2008.

ENQUEST POWER CORPORATION

Per:



Name: Jayson Zwierschke
Title: President
I have authority to bind the Corporation

Exhibit "A"

Please see attached.

GENERAL SECURITY AGREEMENT

ENQUEST POWER CORPORATION, 11 Bond Street, St. Catharines, ON L2R 4Z4
(Herein after called the "Customer")

HEREBY ASSIGNS AND TRANSFERS TO NORTHGUARD CAPITAL CORP.
(hereinafter called the "Secured Party") as a general and continuing collateral security for payment of all existing and future indebtedness and liability of the Customer to the Secured Party wheresoever and howsoever incurred and any ultimate unpaid balance thereof, all property of the kinds described in paragraph 2 below of which the Customer is now or may hereafter become the owner.

1. DEFINITIONS

In this Agreement,

- (a) "PPSA" means the *Personal Property Security Act* (Ontario), and any Act that may be substituted therefor, as from time to time amended.
- (b) "Receivables" means all debts, accounts, claims and moneys in action now due or hereafter to become due or owing to the Customer, or any one or more of them.
- (c) "Inventory" means all goods now or hereafter forming part of the inventory of the Customer or any one or more of them, including, without limiting the generality of the foregoing, goods held for sale or lease; goods furnished or to be furnished under contracts of service; goods which are raw materials or work in process; goods used in or procured for packing; materials used or consumed in the business of the Customer; growing crops that become such within one year after the execution of this agreement; timber to be cut; oil, gas and other minerals

- to be extracted; and items described in Appendix A to this Agreement.
- (d) "Equipment" means all goods, exclusive of inventory or consumer goods, now or hereafter owned by the Customer or any one or more of them, which are used or are intended for use in or about the business conducted by the Customer or in its places of business, and including, without limiting the generality of the foregoing, machinery; fixtures; furniture; plant; vehicles of any sort or description; and all accessories installed in or affixed, attached or appertaining to any of the foregoing; and items described in Appendix A to this Agreement.
 - (e) "Documents of Title" shall have the meaning ascribed to it in the PPSA and shall include, without limiting the generality of the foregoing, all warehouse receipts and bills of lading whether negotiable or not.
 - (f) "Chattel Paper", "goods" and "instrument" shall have the meanings respectively ascribed to them in the PPSA.

2. SECURITY INTEREST

As security for the payment and performance of all existing and future liabilities and indebtedness of the Customer, or any one or more of them, to the Security Party, howsoever arising, the Customer hereby grants to the Secured Party a continuing security interest in the business undertaking of the Customer and in all property of the following kinds now owned or hereafter acquired by the Customer or by any one or more of them;

- (a) Inventory;
- (b) Equipment;
- (c) Receivables;
- (d) Chattel Paper;
- (e) Documents of Title including Leases;

- (f) All books and papers recording, evidencing or relating to the Receivables, Chattel Paper or Documents of Title, and all securities, bills, notes, instruments, leases or other documents now or hereafter held by or on behalf of the Customer or any one or more of them with respect to the said Receivables, Chattel Paper or Documents of Title;
- (g) All shares, stock, warrants, bonds, debentures, debenture stock or other securities, together with renewals thereof, substitutions therefor, accretions thereto and all rights and claims in respect thereof;
- (h) All proceeds and products of any or all the foregoing, including any compensation for Collateral damaged, expropriated, stolen or destroyed.

The above named property, whether now owned or hereafter acquired, shall hereinafter be called the "Collateral".

3. WARRANTIES AND COVENANTS

- (a) Except for the security interest granted hereby the Customer or any one or more of them is (and as to collateral to be acquired after the date hereby, shall be) the owner of the Collateral free and clear of all liens, charges, claims, encumbrances, taxes or assessments.
- (b) EXCEPT FOR INVENTORY SOLD IN THE ORDINARY COURSE OF BUSINESS, The Customer will not sell, offer to sell, transfer, pledge or mortgage the Collateral, nor will the Customer suffer to exist any other security interest in the Collateral in favour of any person other than the Secured Party, without the prior written consent of the Secured Party. All proceeds of sales shall be received as trustee for the Secured Party and shall be forthwith paid over to the Secured Party.

- (c) The Customer shall, during the currency of this Agreement, insure and keep insured the Collateral as the Secured Party may reasonably require. The proceeds in any such insurance held pursuant to this paragraph shall be payable to the Secured Party and any proceeds of such insurance shall, at the option of the Secured Party, be applied to the replacement of the Collateral or towards repayment of any indebtedness of the Customer or any one or more of them to the Secured Party.
- (d) The Customer shall provide from time to time upon request from the Secured Party, written information relating to the Collateral or any part thereof, and the Secured Party shall be entitled from time to time to inspect the tangible Collateral including, without limitation, the books and records referred to in paragraph 2(f) above wherever located. For such purpose the Secured Party shall have access to all places where the Collateral or any part thereof is located, and to all premises occupied by the Customer.

4. EVENTS OF DEFAULT

Any or all of the liabilities or indebtedness of the Customer or any one or more of them to the Secured Party shall, at the option of the Secured Party and notwithstanding any time or credit allowed by any instrument evidencing a liability, be immediately due and payable without notice or demand upon the occurrence of any of the following events (hereinafter referred to as "Events(s) of Default"):

- (a) Default in the payment or performance when due or payable of any liability of the Customer or of any one or more of them, or of any endorser, guarantor or surety for any liability of the Customer or any one or more of them to the Secured Party;
- (b) Material default by the Customer of any obligation or covenant contained herein;
- (c) Proof that any warranty, representation or statement made by the Customer or furnished to the Secured Party herein, or in the application for any loan, was false in any material respect when made or furnished;
- (d) Any loss, theft, damage or destruction of Collateral or of any part of it, or the making of any levy, seizure or attachment thereto or the appointment of a receiver of any part thereof;
- (e) The death, dissolution, termination of existence, insolvency, business failure, or commencement of any proceedings under the Bankruptcy Act affecting the Customer or any one or more of them.

In the event that the Customer reasonably anticipates that it will default on any payment owing to the Secured Party covered by this Agreement, the Customer shall provide the Secured Party with as much notice as reasonably possible of such default and shall endeavour to provide no

less than 30 days notice of default were possible.

5. REMEDIES

Upon any Event of Default and at any time thereafter the Secured Party, at its option, may declare that all indebtedness and obligations secured by this agreement shall immediately become due and payable, and:

- (a) The Secured Party shall then have all rights and remedies of a secured party under the PPSA.
- (b) The Secured Party shall then be constituted to appoint in writing any person to be a receiver (which term shall include a receiver and manager) of the Collateral, including any rents and profits thereof, and may remove any receiver and appoint another in his stead. Such receiver so appointed shall have power to take possession of the Collateral and to carry on or concur in carrying on the business of the Customer, and to sell or concur in selling the Collateral or any part thereof. Any such receiver shall for all purposes be deemed to be the agent of the Customer. The Secured Party may from time to time fix the remuneration of such receiver. All moneys from time to time received by such receiver shall be paid by him first in discharge of all rents, taxes, rates, insurance premiums and outgoings affecting the Collateral, secondly in payment of his remuneration as receiver, thirdly in keeping in good standing any liens and charges on the Collateral prior to the security constituted by this Agreement, and fourthly in or toward payment of such parts of the indebtedness and liability of the Customer to the Secured Party as to the Secured Party seems best, and any residue of such moneys so received shall be paid to the Customer. The Secured Party in appointing or refraining from appointing such receiver shall not incur any liability to the receiver, the Customer or otherwise.

- (c) The Secured Party may then collect, realize, sell or otherwise deal with the Receivables or any part thereof in such manner, upon such terms and conditions at such time or times, and without notice to the Customer, as may seem to it advisable. The Secured Party shall not be liable or accountable for any failure to collect, realize, sell or obtain payment of the Receivables or any part thereof, and shall not be bound to institute proceedings for the purpose of collecting, realizing or obtaining payment of the same or for the purpose of preserving any rights of the Secured Party, the Customer or any other person, firm or corporation in respect of the same. All moneys collected or received by the Customer in respect of the Receivables shall be received as trustee for the Secured Party and shall be forthwith paid over to the Secured Party. All moneys collected or received by the Secured Party in respect of the Receivables or other Collateral may be applied on account of such parts of the indebtedness and liability of the Customer as to the Secured Party seems best or, in the discretion of the Secured Party, may be released to the Customer, all without prejudice to the liability of the Customer or the Secured Party's right to hold and realize this security.

6. CHARGES AND EXPENSES

The Secured Party may charge on its own behalf and pay to others reasonable sums for expenses incurred and for services rendered (expressly including legal advice and service) in or in connection with realizing, disposing of, retaining or collecting the Collateral or any part thereof. Such sums shall be a first charge on the proceeds of realization, disposition or collection. The Secured Party may at its option pay taxes, discharge any encumbrance or charge claimed (whether validly or not) against the Collateral and pay any amount which, in the Secured Party's sole discretion, it may consider requisite to secure

possession of the Collateral with or without litigation or compromise. The Secured Party may settle any litigation in respect of the Collateral or the possession thereof, and may pay for insurance, repairs and maintenance to the Collateral, and any sum so paid by the Secured Party shall constitute indebtedness of the Customer secured hereunder which the Customer shall repay on demand.

7. POSSESSION OF COLLATERAL

Until default, the Customer may have possession of the Collateral and enjoy the same subject to the terms hereof. However, whether or not default has occurred, the Secured Party may at any time request that debtors on the Receivables be notified of the Secured Party's security interest. Until such notification is made, the Customer shall continue to collect Receivables.

8. GENERAL

- (a) This Agreement shall be a continuing agreement in every respect.
- (b) This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario.
- (c) The Customer may terminate this Agreement by delivering written notice to the Secured Party at any time when the Customer, or each of them, is not indebted or liable to the Secured Party. No remedy for the enforcement of the rights of the Secured Party hereunder shall be exclusive of or dependent on any other such remedy and any one or more of such remedies may from time to time be exercised independently or in combination. The security interest created or provided for by this Agreement is intended to attach when this Agreement is signed by the Customer and delivered to the Secured Party. For greater certainty it is declared that any and all future loans, advances or other value which the

Secured Party may in its discretion make or extend to or for the account of the Customer or of any one or more of them shall be secured by this Agreement. If more than one person executes this Agreement their obligations hereunder shall be joint and several.

(d) In construing the Agreement, the word "Customer" and the personal pronouns "he" or "his" and any verb relating thereto shall be read and construed as the number and gender of the parties signing this Agreement may require.

(e) The Secured Party may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges and otherwise deal with the Customer, debtors of the Customer, sureties and others, and with the Collateral and other securities, as the Secured Party may see fit and without prejudice to the liability of the Customer or the Secured Party's right to hold and realize this security.

Signed, Sealed and Delivered this 14th day of August, 2008

ENQUEST POWER CORPORATION

Per:



Name: Jayson Zwierschke

Title: President

I have authority to bind the Corporation

PROVIDENT TECHNOLOGIES LLC

1014 Woodstone Dr.
Baton Rouge, LA
Phone 225 772-5582

INVOICE

INVOICE #[100]
DATE: JUNE 25, 2008

TO:
EnQuest Power Corporation
c/o NRAI of 160 Greentree Drive,
Dover, Delaware
905 892 0600

SHIP TO:
Item is on site at EnQuest Sault Ste. Marie Project

COMMENTS OR SPECIAL INSTRUCTIONS: PAYMENT IS TO BE MADE BY BANK WIRE TO:

Provident Technologies LLC
JPMorgan Chase Bank
Routing #065400137 Account #761066315

SALESPERSON	P.O. NUMBER	REQUISITIONER	SHIPPED VIA	F.O.B. POINT	TERMS
Self	Verbal Jay				Due on receipt

QUANTITY	DESCRIPTION	UNIT PRICE	TOTAL
1	One (1) AAT Gas Cleaning System (#N0620). Item is sold "AS IS WHERE IS" with no warranty whatsoever whether written or implied	45,000.00	45,000.00
SUBTOTAL			
SALES TAX			
SHIPPING & HANDLING			
TOTAL DUE			45,000.00

If you have any questions concerning this invoice, contact John R. Self (256) 457-3979 [johnrself@bellsouth.net]

Thank you for your business!



INVOICE
No. C0377824

Remit to/Payer à:
Agilent Technologies Canada Inc.
P.O. Box 4551, Postal Station "A"
Toronto, Ontario M5W 4R8 Canada

Canada

Order Date Date de la commande	Invoice Date Date de la facture	Payment Terms Mode de paiement	Agilent Order number No commande Agilent	INCO- TERMS	Customer Number No de client	Page Page
09Jun2008	11Jul2008	Net 30 Days	302415651	DDP	70228013	1 / 3

Invoice To/Adresse de facturation:

Enquest Power Corp
Sulte 103
11 Bond St
ST CATHARINES ON L2R 4Z4

Your Purchase Order / Votre commande
8001027
GST Registration No/Numero d'enregistrement de la TPS Agilent Technologies
883978528RT

Delivery Address/Adresse de livraison:

Enquest Power Corp
402 5th Line East
SAULT STE MARIE ON P6A 5K8
CANADA

Product/Description No de Modèle/Description	Quantity Quantité	price/unit Prix unitaire	Amount Prix total
G2802A Agilent 3000A Micro GC: three channel Serial-No.: CN10827008 Serial-No.: USK0043662 Serial-No.: CNU74704Y6 Box-No.: 2310-74641 Box-No.: 2310-74667	1 EA	CAD 46,216.00	CAD 46,216.00
Digital I/O module	1 EA	CAD 508.00	CAD 508.00
Channel A BF Inj.: PLOT Q/U	1 EA	CAD 2,951.00	CAD 2,951.00
Channel B BF Inj, AI PLOT 10m, ID 0.32mm	1 EA	CAD 2,951.00	CAD 2,951.00
Gas-liquid separator & pressure reducer	1 EA	CAD 2,213.00	CAD 2,213.00
Add second carrier gas to channel B	1 EA	CAD 497.00	CAD 497.00
Cerity NDS 3000A SW License	1 EA	CAD 1,025.00	CAD 1,025.00
Laptop w/ American Kybd	1 EA	CAD 5,203.00	CAD 5,203.00
Installation (44K)			
Familiarization at Installation (44L)			
1 Year SW Upgrade/Phone Assist (44W)			
		Total Discounts:	CAD 7,079.87-
		Total:	CAD 54,484.13



Remit to/Payer à:
 Agilent Technologies Canada Inc.
 P.O. Box 4551, Postal Station "A"
 Toronto, Ontario M5W 4R8 Canada

Canada

INVOICE
No. C0377824

Order Date Date de la commande	Invoice Date Date de la facture	Payment Terms Mode de paiement	Agilent Order number No commande Agilent	INCO- TERMS	Customer Number No de client	Page Page
09Jun2008	11Jul2008	Net 30 Days	302415651	DDP	70228013	2 / 3

Invoice To/Adresse de facturation:

Enquest Power Corp
 Suite 103
 11 Bond St
 ST CATHARINES ON L2R 4Z4

Your Purchase Order / Votre commande
8001027
GST Registration No/Numero d'enregistrement de la TPS Agilent Technologies
893978528RT

Product/Description No de Modèle/Description	Quantity Quantité	price/unit Prix unitaire	Amount Prix total
G2801A Agilent 3000A Micro GC Serial-No.: CN10827011 Serial-No.: USK0046308 Box-No.: 2310-74667	1 EA	CAD 24,480.00	CAD 24,480.00
Digital I/O module	1 EA	CAD 508.00	CAD 508.00
Channel A BF Inj, PLOT U/MS 5A	1 EA	CAD 2,951.00	CAD 2,951.00
Separator/Pressure Reducer	1 EA	CAD 2,213.00	CAD 2,213.00
Cerity NDS 3000A MicroGC	1 EA	CAD 2,682.00	CAD 2,682.00
Installation (44K) Familiarization at Installation (44L) 1 Year SW Upgrade/Phone Assist (44W)			
		Total Discounts:	CAD 3,775.92-
		Total:	CAD 29,058.08
		Summary:	
		Items Total:	CAD 94,388.00
		Total Discounts:	CAD 10,855.79-
		Invoice Total:	CAD 83,542.21
		GST 5.00%:	CAD 4,177.12
		INVOICE TOTAL:	CAD 87,719.33



Remit to/Payer à:
 Agilent Technologies Canada Inc.
 P.O. Box 4551, Postal Station "A"
 Toronto, Ontario M5W 4R8 Canada

Canada

INVOICE
No. C0377824

Order Date Date de la commande	Invoice Date Date de la facture	Payment Terms Mode de paiement	Agilent Order Number No commande Agilent	INCO- TERMS	Customer Number No de client	Page Page
09Jun2008	11Jul2008	Net 30 Days	302415651	DDP	70228013	3 / 3

Invoice To/Adresse de facturation:

Enquest Power Corp
 Suite 103
 11 Bond St
 ST CATHARINES ON L2R 4Z4

Your Purchase Order / Votre commande
8001027
GST Registration No/Numero d'enregistrement de la TPS Agilent Technologies
893978528RT

Returns and claims for loss or damage will not be accepted after 30 days. All returns must be preauthorized.

A minimum order amount of \$50.00 applies to all orders.

These commodities, technology or software were either sold in or exported from the United States or exported/reexported from other countries, in accordance with the U.S. Export Administration Regulations. Diversion contrary to U.S. law is prohibited.

Customs and export classifications are Agilent Technologies' opinion of the proper U.S. classification today. Import and export classifications are subject to change. Your organization is the responsible party for determining the correct classifications of any item at the time of reexport.

GST applicable.

PST/TVP Exempt License #: FEDERAL GOVT

Please direct all inquiries to:

Agilent Technologies Canada Inc.
 Chemical Analysis Group
 2850 CENTERVILLE ROAD MS: BU-2-2
 WILMINGTON DE 19808-1610

Tel: 1-800-227-9770

Please send Invoice copy or reference Invoice no.: C0377824 along with your payment.

Orders for the sale of standard Products and Services referenced in this Invoice are subject to the then current version of Agilent's Terms of Sale, and any LSCA Supplemental Terms or other applicable terms referenced in the Quotation and Sales Order Acknowledgement. If any Products or Services are manufactured, configured or adapted to meet Customer's requirements, orders for the sale of all Products and Services referenced in this Invoice are subject to the then current version of Agilent's Terms of Sale for Custom Products, and any LSCA Supplemental Terms or other applicable terms referenced in the Quotation and Sales Order Acknowledgement. If you have a separate agreement in effect with Agilent covering the sale of Products and Services referenced in this Invoice, the terms of that agreement will apply to those Products and Services.

**NORTHGUARD CAPITAL CORP.
PROMISSORY NOTE**

ENQUEST POWER CORPORATION
Corporate name changed to Elementa

DATE	DESCRIPTION	INTEREST	FEE'S	PAYMENT	BALANCE
2008					
14-Aug	Advance				300,000.00
	Processing Fee		15,000.00		315,000.00
1-Sep		3,937.50			318,937.50
1-Oct		3,986.72			322,924.22
1-Nov		4,036.55			326,960.77
1-Dec		4,087.01			331,047.78
2009					
1-Jan	Balance Forward				331,047.78
		4,138.10			335,185.88
1-Feb		4,189.82			339,375.70
1-Mar		4,242.20			343,617.90
1-Apr		4,295.22			347,913.12
1-May		4,348.91			352,262.04
8-May	Payment Received			332,739.93	19,522.11
	Payment Returned NSF		150.00	-332,739.93	352,412.04 ✓
1-Jun		4,405.15 ✓			356,817.19 ✓
1-Jul		4,460.21 ✓			361,277.40
28-Jul	Payment Received	4,157.16		42,460.27	322,974.30
1-Aug		530.92			323,505.21
1-Sep		4,043.82			327,549.03
1-Oct		4,094.36			331,643.39
1-Nov		4,145.54			335,788.93
1-Dec		4,197.36			339,986.29

2010

1-Jan Balance Forward

339,986.29

4,249.83

344,236.12

1-Feb *HTA*

4,302.95

16 days @ 143.24

348,539.07

Per Diem

143.24

to Mar 1/10

2,148.40

342,836.27

359,687.67

143.24

*348,539.07
2,148.40*

350,979.51

*AD Mar 10
C# 1447*

*Code #2650 \$ 315,000.00
#5620 150.00
25,537.67*

**UNDERTAKING OF
BAKER & MCKENZIE LLP**

To: Andrew Ferri
Northguard Capital Corp.

From: Baker & McKenzie
Jonathan D. Cocker

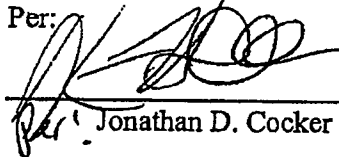
I, Jonathan D. Cocker, Barrister and Solicitor of the firm of Baker & McKenzie LLP, hereby agree to use my and the Firm's best efforts in obtaining a discharge and filing the same of a PPSA registration over Enquest Power Corporation by 1670372 Ontario Ltd.

I further represent that 1670373 Ontario Ltd. was a former client of this Firm who was involved in a potential transaction with Enquest Power Corporation and as a result PPSA filing no. 621478719 was made. I further represent that the transaction to my knowledge was not consummated and it is my belief that the PPSA filing by 1670373 Ontario Ltd. should be removed and discharged.

DATED this August 14, 2008.

BAKER & MCKENZIE LLP

Per:



Jonathan D. Cocker

**UNDERTAKING OF
BAKER & McKENZIE LLP**

To: Andrew Ferri
Northguard Capital Corp.

From: Baker & McKenzie
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DATED this August 14, 2008.

BAKER & McKENZIE LLP

Per: 

 Jonathan D. Cocker



August 14, 2008

Mr. Andy Ferri
c/o Northguard Capital Corp.

Re: Agreement for Security of Jayson Zwierschke Shares

Dear Mr. Ferri,

Please accept this letter as commitment and guarantee that I, Jayson Zwierschke will place my personal shares of EnQuest Power Corporation in the trust of Baker & McKenzie for the duration period and of the outstanding Promissory Note.

Regards,

A handwritten signature in black ink, appearing to read "Jayson Zwierschke", written in a cursive style.

Jayson Zwierschke,
President
EnQuest Power Corporation

APPENDIX H



August 14, 2008

Mr. Andy Ferri
c/o Northguard Capital Corp.

Re: EnQuest Commitment to Purchase Assets

Dear Mr. Ferri,

Please accept this letter as further commitment and guarantee that EnQuest Power will use the proceeds provided by Northguard Capital Corp. to purchase the following assets and commitment to operating the corporation:

Scrubber System	45,000.00
Agilent Analyser	87,719.33
Focus-On-Combustion – Flare System	77,261.58
Interim operating capital	<u>90,019.09</u>
Total	\$300,000.00

The capital equipment has been installed at the current Sault Ste. Marie demonstration site at the 402 Fifth Line address. The equipment is part of the functioning plant and will be purchased and pledged as security under the General Security Agreement.

Regards,

Jayson Zwierschke,
President
EnQuest Power Corporation

EnQuest Power - Use of Proceeds

The following capital represent the use of proceeds for current debenture offering

Scrubber System	45,000.00
Agilent Analyer	87,719.33
Focus-On -Combustion - Flare System	77,261.58
Interim operating capital	90,019.09

Total

300,000.00

A handwritten signature or set of initials, possibly 'JB', written in black ink.

APPENDIX I

PERSONAL GUARANTEE

Reference is made to that certain promissory note dated the 14th day of August, 2008 (the "Promissory Note") granted by EnQuest Power Corporation ("EnQuest") in favour of Northguard Capital Corp. (the "Corporation").

The undersigned does hereby guarantee to the Corporation full and prompt payment and performance of the obligations of EnQuest under the Promissory Note (the "Obligations") as if the Obligations were direct and primary obligations of the undersigned. The undersigned undertakes that, if and whenever EnQuest defaults in the payment, discharge and performance when due of any of the Obligations, the undersigned shall on demand by the Corporation pay, discharge or perform the same, and further, the undersigned hereby pledges his common shares in EnQuest to the Corporation for the purposes of securing performance of the Obligations. The undersigned further agrees to pay the expenses and costs (including, without limitation, reasonable attorneys' fees and expenses) incurred by the Corporation in connection with any action, suit or proceeding brought or maintained against the undersigned to enforce this Guarantee.

The undersigned hereby agrees that its obligations under this Guarantee shall be primary, absolute and unconditional, irrespective of, and unaffected by: (a) the genuineness, validity, regularity, enforceability or any future amendment of, or change in the Promissory Note; (b) any change in the time, manner or place of payment, time or manner of performance or any other term of the Obligations; (c) the insolvency of EnQuest; or (d) any other action or circumstance that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor.

The undersigned hereby waives diligence, presentment, demand for payment, filing of claims with a court in the event of receivership or bankruptcy of EnQuest or protest or notice with respect to the Obligations, and all demands whatsoever, and the undersigned shall not require that the same be made on EnQuest as a condition precedent to the undersigned's obligations hereunder. The undersigned covenants that this Guarantee will not be discharged except by complete payment and performance of the Obligations and that the undersigned will make all reasonable efforts to ensure that Enquest will satisfy the Obligations and will undertake to notify the Corporation no later than October 1st, 2008 in the event that the undersigned anticipates to that Enquest will not be able to satisfy the Obligations.

The Corporation is hereby authorized from time to time, without notice or demand and without affecting the liability of the undersigned hereunder, to: (a) extend the time for payment of the Obligations, (b) accept partial payment of the Obligations; and (c) settle, release, compromise, collect or otherwise liquidate the Obligations, in any manner, without affecting or impairing the obligations of the undersigned hereunder; provided that any such settlement, release, compromise, collection or liquidation shall reduce the Obligations *pro tanto*.

The undersigned consents and agrees that the Corporation shall not be under any obligation to marshal any assets in favor of the undersigned or against or in payment of any or all of the Obligations. The undersigned further agrees that, to the extent that EnQuest makes a payment or payments on account of the Obligations, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to EnQuest, its estate, trustee or receiver or any other party, including, without limitation, the undersigned, by any court of competent jurisdiction under any bankruptcy law, provincial or federal law, common law or equitable cause, then to the extent of such payment

or repayment, the Obligation or the part thereof that has been paid, reduced or satisfied by such amount, and the undersigned's obligations under this Guarantee with respect thereto, shall be reinstated and continued in full force and effect as of the time immediately preceding such initial payment, reduction or satisfaction.

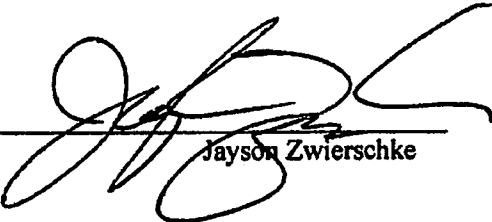
The failure in any one or more instances of the Corporation to insist upon performance of any one of the terms, covenants or conditions set forth in the Promissory Note, to exercise any right or privilege conferred therein, or the waiver by the Corporation of any breach of any of the terms, covenants or conditions thereof, shall not be construed as a subsequent waiver of any of such terms, covenants, conditions, rights or privileges, but the same shall continue and remain in full force and effect as if no such forbearance or waiver had occurred. The rights and remedies hereunder provided are cumulative and may be exercised individually or concurrently, and are not exclusive of any rights and remedies provided by law. None of the terms or provisions of this Guarantee may be waived, altered, modified, supplemented or amended except by an instrument in writing, duly executed by the Corporation and the undersigned.

This Guarantee shall be binding upon the undersigned and upon his heirs, executors, administrators, successors and assigns and shall inure to the benefit of the Corporation and its successors and assigns. All references to the singular shall be deemed to include the plural where the context so requires. Nothing in this Guarantee, express or implied, is intended to confer on any person other than the Corporation and its successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Guarantee.

This Guarantee and the rights and obligations of the parties hereunder shall be governed by and construed in accordance with the laws of the province of Ontario and the federal laws of Canada applicable therein. The undersigned irrevocably agrees for the benefit of the Corporation that any legal action arising out of or relating to this Guarantee may be brought in the courts of the Province of Ontario and irrevocably submits to the non-exclusive jurisdiction of such courts. Nothing in this Guarantee shall limit the right of the Corporation to commence any legal action against the undersigned and/or its assets in any other jurisdiction or to serve process in any manner permitted by law, and the taking of proceedings in any jurisdiction shall not preclude the Corporation from taking proceedings in any other jurisdiction whether concurrently or not. The undersigned irrevocably and unconditionally waives any objection which it may now or hereafter have to the choice of the province of Ontario as the venue of any legal action arising out of or relating to this Guarantee and agrees not to claim that any court in that venue is not a convenient or proper forum. The undersigned also agrees that a final judgment against it in any such legal action shall be final and conclusive and may be enforced in any other jurisdiction, and that a certified or otherwise duly authenticated copy of the judgment shall be conclusive evidence of the fact and amount of its indebtedness.

This Guarantee shall continue in full force and effect until all of the Obligations have been paid in full.

DATED August 14, 2008


Jayson Zwierschke

APPENDIX J

- options not exercised?
 NO

LETTER OF INTENT

August 14th, 2008

Mr. Andy Ferri
c/o Northguard Capital Corp.

Re: EnQuest Share Purchase Option

This letter is intended to document the commitment EnQuest Power Corporation ("EnQuest") will make to you regarding the granting of a right to purchase common shares of EnQuest from the Company. The commitment contained in this Letter of Intent is expressly conditional upon Northguard Capital Corp.'s provision of a loan to EnQuest in the amount of \$300,000.00 on or about August, 2008 (the "Loan").

→ Upon providing EnQuest with the Loan, EnQuest will provide you with a right to purchase privately-held common shares of EnQuest (each a "Share") upon the following terms:

- **Shares Made Available for Purchase:** up to a value of \$300,000
- **Price per Share:** the average purchase price paid for a Share during the period of August to November, 2008 inclusive.
- **Purchase Right Period:** December 2008 to June 2011

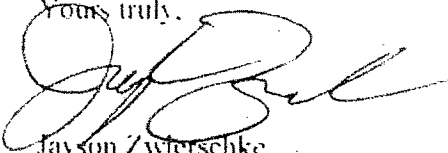
Were shares issued @ \$1.00

Should no Shares be purchased between the effective date of this document and November 30th 2008, the price per share shall be the average book value of all share issued by the company as of November 30th 2008. The right to buy at average book value of all shares issued by the company at November 30th 2008 shall be grant if the Northguard Capital Corp. The Company confirms that it has no intention of issuing share on a non-arms-length basis, which would have the effect of limiting Northguards security interests.

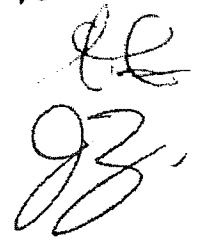
loan is not paid back by November 30 2008

We trust the foregoing is satisfactory.

Yours truly,



Jayson Zwierschke
President
EnQuest Power Corporation



APPENDIX K

2

ELEMENTA GROUP INC.

*

August 19, 2011

To: Andrew Ferri

Re: Enquest Share Option Agreement dated August 14, 2008 now Elementa Group Inc.

This letter is intended to amend the above agreement. The shares made available for purchase are hereby amended from \$300,000 to \$2,500,000. ?

The Purchase Right Peroid is hereby amended from June 30, 2011 to August 19, 2018.

This increase is for arranging bridge financing on August 19, 2011 and entering into the license agreement dated August 25, 2011

→ (?)

Yours truly,

Jayson Zwierschke

President
Elementa Group Inc.

- up to \$ 2,500,000
- @avg price per share during what period? same as in Aug 4/08 letter as not changed by this amending
- \$ advanced - license Agr gave him

ELEMENTA GROUP INC.

March 30, 2012


To: Andrew Ferri

Re: Enquest Share Option Agreement dated August 14,2008 now Elementa Group Inc.

This letter is intended to amend the above agreement and the amendment of August 19,2011. The shares made available for purchase are hereby amended from \$2,500,000 to \$3,000,000 in consideration of additional loans to Elementa Group Inc..

The Purchase Right Period shall remain at August 19,2018 all other terms and conditions shall remain the same.

Yours truly,


Jayson Zwierschke

-> same ^{avg} purchase price
->

President
Elementa Group Inc.

4

ELEMENTA GROUP INC.

May 25, 2012

To: Andrew Ferri

Re: Elementa Share Options (revised based upon March 30, 2012 agreement)

This letter is intended to amend the share options from \$3,000,000 to \$3,500,000 in consideration for addition loans to Elementa Group Inc.

All rights remain as per March 30 2012 agreement.



Yours truly,

Jayson Zwierschke

President

Elementa Group Inc.

5

ELEMENTA GROUP INC.

June 29, 2012

To: Andrew Ferri

Re: Elementa Share Options (revised based upon March 30, 2012 agreement)

This letter is intended to amend the share options from \$3,500,000 to \$5,000,000 in consideration for addition loans to Elementa Group Inc.

All rights remain as per March 30 2012 agreement.



Yours truly,

Jayson Zwierschke

President

Elementa Group Inc.

6

ELEMENTA GROUP INC.

December 13, 2012

To: Andrew Ferri

Re: Elementa Share Options (revised based upon March 30, 2012 agreement)

This letter is intended to amend the share options from \$5,000,000 to \$6,000,000 in consideration for addition loans to Elementa Group Inc.

All rights remain as per March 30 2012 agreement. Personal share options guaranteed from Jayson Zwierschke's share account.

TRANSFER

Yours truly,

Jayson Zwierschke

President

Elementa Group Inc.

→ \$6,000,000 worth of shares at avg. price paid for a share during the period of Aug. to NOV. 2008, inclusive which is

\$	02
----	----

→ never exercised any options. (none in list)

→ grant of option is a trade, so it needs to be on an AI or other exemption
→ is a distribution,

\$ 800,000

- not approved by the board
- Bd would have to approve the transfer LEGEND?
- Northguard made loans, not Andy Ferri
- secondary trade? SECURITIES RESTRICTIONS?

APPENDIX L

PROMISSORY NOTE

Summed + paid back.

Due: On December 15th, 2011

In consideration of Northguard Capital Corp. ("Northguard Capital") loaning to Elementa Group Inc. (hereinafter "Elementa") the sum of \$355,000.00 (the "Loan Amount"), Elementa hereby promises to jointly repay Northguard Capital Corp. and Luciano Butera as follows:

- a) the Loan Amount, on or before December 15th, 2011; and
- b) all interest accrued on the Loan Amount at an annual rate of 15% from the date of receipt by Elementa of the Loan Amount to the date of receipt by Northguard Capital of the amount described in subparagraph a above; such interest shall be paid on or before December 15th, 2011 (together, with the Loan Amount, the "Total Amount").

4 mos was repaid

Repayment of the Total Amount by Elementa shall be made by deducting the Total Amount from the Scientific Research and Experimental Development credit payable to Elementa for the taxation filing years 2009 and 2010 (the "Refund"). The Refund shall not be the subject of negotiated discount or deferral and are hereby irrevocably pledged by Elementa jointly to Northguard Capital and Luciano Butera and shall be delivered forthwith after each such Refund, in whole or in part, is received by Elementa.

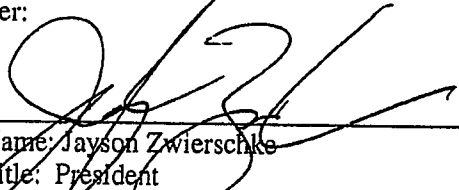
In the event that any of the above payments are not made in accordance with this Promissory Note, all outstanding payments under this Promissory Note shall be deemed immediately owing and payable by Elementa to Northguard without regard to any presentment, notice of dishonour or protest by Elementa.

This Promissory Note shall be binding upon Elementa's successors and assigns.

Dated this 16th day of August, 2011.

ELEMENTA GROUP INC.

Per:



Name: Jayson Zwierschke
 Title: President
 I have authority to bind the Corporation

APPENDIX M

TERM GRID PROMISSORY NOTE

Niagara-on-the-Lake, Ontario

Due Date: April 30, 2012

Maximum Principal Amount: \$416,500 or other amount as mutually agreed upon

Re: Loan

On the Due Date **Elementa Group Inc.** ("the Promissor") unconditionally promises to pay to **Northguard Capital Corp. and Luciano Butera** (the "Promissee") at St. Catharines, Ontario, in lawful money of Canada, the unpaid principal balance, together with interest thereon, of all advances made by the Promissee to the Promissor as recorded by the Promissee on the grid attached hereto (the "Grid").

Repayment of the Unpaid Balance of the Term Grid Promissory Note ("Promissory Note") as recorded on the Grid by the Promissor shall be made by deducting the Total Amount from the Scientific Research and Experimental Development credit payable to the Promissor for the taxation filing years 2011 ("**Refund**") and from receipt of investor funds ("**Funds**") and from other sources ("**Other Sources**"). The Refund and Funds and Other Sources shall not be the subject of negotiated discount or deferral and are hereby irrevocably pledged by the Promissor jointly by the Promissee and shall be delivered forthwith after each such Refund and Funds and Other Sources, in whole or in part, is received by the Promissor.

The Unpaid Balance of the Promissory Note as recorded on the Grid is open for repayment prior to the Due Date and may be made from the Refund and Funds and Other Sources.

In the event that any of the above payments are not made in accordance with this Promissory Note, all outstanding payments under this Promissory Note shall be deemed immediately owing and payable by the Promissor to the Promissee without regard to any presentment, notice of dishonour or protest by the Promissor.

The entire amount, together with interest thereon as provided herein, shall be due and payable on the Due Date.

The Promissor hereby waives presentment for payment, notice of nonpayment, protest and notice of protest of this Note.

The principal amount outstanding hereunder shall bear interest at 15% per annum, calculated monthly, not in advance compounded annually on January 20th of each year.

Other than in cases of manifest error, the undersigned agrees that the entries of the Promissee on the Grid shall be conclusive proof of the matters so recorded. The failure to

record any amount on the Grid, however, shall not limit the obligation of the undersigned to repay the principal amount of the advances made from time to time together with interest accruing thereon. The undersigned agrees that this document may be executed by facsimile signatures, and shall be interpreted in accordance with the laws of the Province of Ontario.

Dated the 9th day of March 2012

Elementa Group Inc.

per: 

Name Jason Zwiersche

An authorized signing officer,
I have authority to bind the Corporation

Grid

Date	Advances	Payments	Unpaid balance
Jan-20, 2012	16,500.00		16,500.00
Jan-27, 2012	50,000.00		66,500.00
Feb-03, 2012	100,000.00		166,500.00
Feb-10, 2012	100,000.00		266,500.00
Mar-02, 2012	75,000.00		341,500.00
Mar 9, 2012	75,000.00		416,500.00

APPENDIX N

LICENSE AGREEMENT

This License Agreement ("this LA") is made as of **August 25, 2011** (the "Effective Date") between Elementa Group Inc. ("Elementa"), a corporation incorporated under the laws of Ontario, and Andrew Ferri with a corporation to be named ("AF"), (collectively, the "Parties").

IN CONSIDERATION of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties hereto, the Parties hereto covenant and agree as follows:

1.0 PROJECTS

- 1.1 This LA pertains to municipal waste-to-energy projects to be developed from time to time between the Parties (each a "Project" and, collectively, the "Projects") deploying Elementa's steam reforming systems technology for the conversion of waste into valuable syngas for power generation (electrical and heat generation). Elementa owns the steam reforming system, related technology, trade secrets, patents, license agreements, engineering and know how (the "Elementa Technology")
- 1.2 The Elementa Technology to be utilized in a Project shall be subject to the terms and conditions of Elementa's technology licensing agreement ("TLA"), as may be amended from time to time and shall be mutually agreed upon between the Parties.
- 1.3 AF is a person with experience and know how in financing various types of commercial ventures and has expressed a willingness and ability to finance future Projects as a financing partner of Elementa's in such Projects, as described below.

2.0 ST. LUCIA PROJECT

- 2.1 The Parties acknowledge and agree that a mutually acceptable structure, including operating entity, shall be formed for each Project, consistent with this LA. It is anticipated that Elementa's planned St. Lucia waste-to-energy project (the "St. Lucia Project") will be the first Project.
- 2.2 It is the Parties' intention that AF will provide project financing (a combination debt & equity in the St. Lucia Project operating entity) to enable the St. Lucia Project to proceed. (the "St. Lucia Project Financing")
- 2.3 Elementa shall provide AF with a business plan and all reasonable Project information and documents to satisfy all project lenders. Upon receipt of this information AF will have 120 business days to secure the financing necessary for the St. Lucia Project. Elementa has the right to extend this timeframe, which shall be done reasonably.
- 2.4 Upon securing all of the necessary financing for the St. Lucia Project, Elementa will provide a mutually agreed upon schedule for the St. Lucia Project, as well as a TLA for the licencing of the Elementa Technology to the St. Lucia Project operating entity, which shall be created upon agreement of the parties (the "St. Lucia Operating Entity").
- 2.5 Elementa shall bill to AF monthly (30 business days) for its engineering services under a commercially reasonable agreement.
- 2.6 Save and accept Elementa's engineering portion of St. Lucia Project cost (at reasonable rates) the remaining St. Lucia Project shall be on a cost basis.

Ongoing license fee for the licence of the Elementa Technology to the St. Lucia Operating Entity of 20% shall be paid after AF once has recovered all his equity investments inclusive of a 10% annual rate of return. All parties will be paid on a cash-flow basis.

3.0 NORTHGUARD FIRST RIGHT OF REFUSAL

3.1 Upon securing all of the financing necessary for the St. Lucia Project, the Parties agree that once Elementa has identified a project using Elementa Technology it shall be obligated to provide the following information to AF for the purposes of allowing AF one initial opportunity to assess the potential Project and determine whether it wishes to becoming the financing partner with Elementa on such potential Project:

- (a) **a business plan and financial documents**
- (b) **all other documents identified by Elementa as necessary to AF's project financing assessment**

3.2 Upon receipt of the information identified in Section 3.1, AF shall have 60 business days to inform Elementa in writing of its irrevocable intention to become the financing partner in such potential Project. Elementa shall provide AF with 120 business days to obtain the necessary financing for the Project and commit to the entire Project financing on terms mutually acceptable between the Parties. At such time a TLA to provide the licence of the Elementa Technology to the Project entity is executed,, Elementa shall receive Project funds as per TLA.

3.3 The Parties acknowledge and agree that the AF First Right of Refusal applies only once in respect of any potential Project regardless of any subsequent amendments or reformulations of the Project terms, including, but not limited to the, Project partners, entity structure, waste sources, or energy off-takers.

3.4 Upon exercising an AF First Right of Refusal, AF shall be required to fund the working capital requirements set out in the agreed business plan or Project agreements, as applicable, in respect of each approved Project.

3.5 Where AF exercises an AF First Right of Refusal, AF shall, as financier, use commercially reasonable efforts in good faith to assist Elementa in structuring the capital requirements of each potential Project to maximize the returns to Elementa and AF.

3.6 The AF First Right of Refusal shall expire if AF fails to finance three (3) consecutive projects.

4.0 NORTHGUARD'S WARRANTS IN ELEMENTA

4.1 The Parties acknowledge and agree that as partial consideration for AF's covenants and agreements contained in this LA, Elementa shall provide 2.5 million (2,500,000) share purchase warrants to AF for the purchase of common shares in Elementa at \$2.00 a common share on such terms and conditions to be mutually agreed upon by the Parties and in good faith. The warrants shall expire on the earlier of seven (7) years from the date of this LA and the time immediately preceding a Liquidity Event.

5.0 LICENCING OF ELEMENTA'S TECHNOLOGY

- 5.1 The Parties acknowledge and agree that Elementa shall licence the Elementa Technology to each Project entity, as applicable, for the sole purpose of deploying it in a Project under the terms of this LA. The Parties agree that all rights in respect of the Elementa Technology, including, but not limited to, any amendments or improvements to the Elementa Technology, including if developed by the the Project entity, remain the exclusive property of Elementa. The license is exclusive for each Project for the period and term of the Project contracts, unless otherwise agreed between the Parties.
- 5.2 It is further agreed that, at no time, shall the Project entity register or otherwise encumber the Elementa Technology and that, in the unanticipated event such a registration or encumbrance occurs, Northguard agrees to immediately take all necessary steps to discharge, unregister or unencumber, as applicable, the Elementa Technology and Project entity on its own behalf and on behalf of its voting interest in each Project, irrevocably authorizes and grants Elementa a limited power of attorney to take any such steps or action to discharge any such security or registration. The power of attorney granted herein is coupled with an interest.

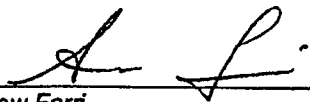
6.0 GENERAL PROVISIONS

- 6.1 Aside from Professional Services, any expenses incurred by any Party in preparation for or as a result of this LA or the Parties' meetings and communications or any work done hereunder are to the sole account of the Party incurring same unless otherwise agreed in writing.
- 6.2 The Parties will not disclose the existence or content of this LA to any third party without the prior written approval of all parties, which approval may be withheld in the sole discretion of any Party, except as required by law or to enforce the right of a Party against a third party.
- 6.3 This LA shall be governed by the laws of the Ontario. Any dispute or difference among the parties must be finally and exclusively resolved by a commercial arbitrator in Toronto, Ontario, selected by agreement of the Parties to resolve the dispute or difference in accordance with ICC Rules. Nothing in this LA shall prevent a Party from seeking injunctive relief or other relief in equity arising from any breach or anticipated breach of any or the provisions of this LA relating to any Party's intellectual property or confidentiality rights, including, but not limited to, the non-disclosure agreements entered into among the Parties, and there shall be no requirements to post a bond or other security in respect of any such action. The Parties further acknowledge and agree that such confidentiality requirements also apply to this LA.
- 6.4 Each party's obligation to negotiate in good faith, in no event shall any party hereto be liable to the other for any claim, damage, injury or loss of any nature arising out of or related to this LA. IN NO EVENT SHALL ANY PARTY BE LIABLE FOR SPECIAL, INCIDENTAL, PUNITIVE, INDIRECT OR CONSEQUENTIAL DAMAGES ARISING FROM OR CONNECTED WITH THIS AGREEMENT. ALL TANGIBLES AND INTANGIBLES PROVIDED PURSUANT TO THIS AGREEMENT ARE PROVIDED "AS IS" AND THE PARTIES MAKE NO WARRANTIES OR CONDITIONS, WHETHER EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, WARRANTIES OR CONDITIONS OF MERCHANTABILITY, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.
- 6.5 No Party shall assign or transfer this LA, in whole or in part without the prior written consent of the other, which consent shall not be unreasonably withheld.
- 6.6 This LA constitutes the entire understanding and agreement of and among the Parties with respect to the subject matter hereof and supersedes all prior representations and agreements,

verbal or written. It shall not be varied, except by an instrument in writing duly executed by the authorized representatives of the Parties.


6.7 Headings as used herein are for reference purposes only and are not part of this LA.

IN WITNESS WHEREOF this LA has been executed by the parties as of the Effective Date.



Andrew Ferri

Date August 25, 2011



Officer Name
Title Elementa Group Inc

Date August 25, 2011

APPENDIX O

AGREEMENT

THIS AGREEMENT is made this 30th day of April, 2013.

AMONG:

ELEMENTA GROUP INC., hereinafter referred to as “**Elementa**”

- and -

NORTHGUARD CAPITAL CORP., hereinafter referred to as “**Northguard**”

- and -

ELEMENTA SSM INC., Hereinafter referred to as “**SSM**”

-and-

ANDREW FERRI, hereinafter referred to as “**Ferri**”

RECITALS:

Northguard is a holder of a note, dated January 15, 2013 and secured by a first charge debenture and general security agreement between Northguard and Elementa and due June 30, 2013. (A copy of which is attached as Schedule “A”).

Andrew Ferri and Elementa entered into a License Agreement date August 25, 2011. A copy of which is attached as Schedule “B”.

AGREEMENT:

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Northguard will amend the terms of its promissory note to be due 60 days after demand.
2. Elementa hereby transfers all its right, interest and title to Northguard all the assets of the Sault Ste. Marie demonstration plant, as listed in Schedule “C”. Elementa shall make its best efforts to sell the equipment and the net proceeds shall be paid to Northguard and deducted from the outstanding balance on the debenture loan. No sale shall be agreed to with any purchaser without the prior written consent of Northguard.
3. The license agreement dated August 25, 2011 between Elementa and Andrew Ferri is assigned to SSM pursuant the agreement.
4. Elementa acknowledges that the first project identified in the Licence Agreement was St. Lucia. Elementa acknowledges that Ferri agreed to finance this project and expended considerable time in this regard. Elementa was not able to procure a final agreement in St. Lucia and as a result Elementa

notified Ferri that the project was terminated and Elementa would put forward the next project to Ferri as contemplated in the Licence Agreement.

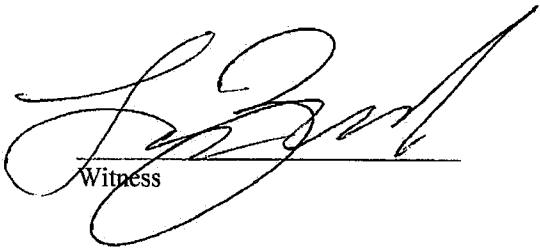
5. Ferri having committed to finance the St. Lucia project Elementa acknowledges that Ferri has satisfied the requirements in section 3.1 of the License Agreement and accordingly Elementa is bound pursuant to section 3.1 to offer Ferri the next project as set out in the License Agreement.
6. Elementa offered Ferri the Sault Ste. Marie project. As a result Ferri secured a term sheet from BMO to finance the Sault Ste. Marie project. Elementa did not secure a Power Purchase Agreement from the Ontario Power Authority and the commitment expired.
7. In anticipation of Elementa securing a Power Purchase Agreement Ferri had his lawyer incorporate Elementa SSM Inc. facilitate the Sault Ste. Marie Project.
8. In order to further secure the outstanding note payable to Northguard Elementa shall transfer all its right interest and title in its steam reforming systems technology for the conversion of waste into valuable syngas for power generation (electrical and heat generation), including the steam reforming system, related technology, trade secrets, patents, license agreements, engineering and know how (the "Elementa Technology") to SSM.
9. There will be no license fees or royalties paid to Elementa in regards to the Sault Ste. Marie project.
10. On subsequent projects SSM shall pay to Elementa as a royalty of 20% of the net profit of the project before income taxes as set out in the Licence Agreement. The payout shall be based on the financial statements prepared by the independent accountant for the project as appointed by SSM. The payment shall be made 45 days after the completion of the financial statements. Elementa shall be permitted to audit the financial statements by retaining a CPA and by making a request in writing to SSM 30 after the receipt of the financial statements provided by SSM.
11. Elementa shall transfer the Power Purchase Agreement to SSM once it has been signed with the OPA. In the alternative if an LP or a separate company is incorporated to facilitate the agreement then the units of the LP and/or shares of the corporation will be transferred to SSM at a nominal value and in compliance with the terms and conditions of the Power Purchase Agreement.
12. SSM shall transfer the Elementa Technology back to Elementa upon repayment of the above referenced note.

This Agreement shall be governed by and construed in accordance with the laws of Ontario.

The parties hereto have executed this Agreement as of the day and year first above written.

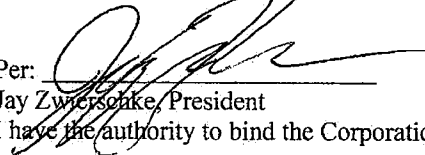
WITNESS our hands and seals this 30th day of April, 2013.

SIGNED, SEALED AND DELIVERED
in the presence of:

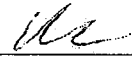


Witness

ELEMENTA GROUP INC.

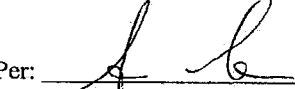
Per: 

Jay Zwiersonke, President
I have the authority to bind the Corporation.




Witness

NORTHGUARD CAPITAL CORP.


Per: 

Andrew Ferri, President
I have the authority to bind the Corporation.

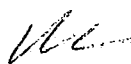


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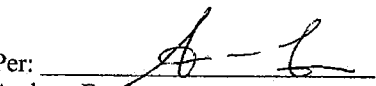
ELEMENTA SSM INC.

Per: 

Andrew Ferri, President
I have the authority to bind the Corporation



Witness

Per: 

Andrew Ferri

Schedule A
 To Debenture Confirmation
 Letter of December 13, 2012

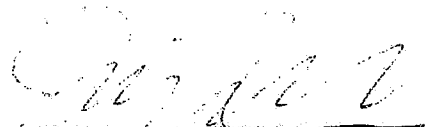
Northguard Capital

ELEMENTA GROUP INC.
 DEBENTURE INTEREST PAYABLE

As at January 15, 2013

	Date	Interest Rate	Opening Principal	Days Outstanding	Closing Interest Payable	Total Outstanding
Northguard	19-Aug-11	15.00%	355,000.00	126.0	18,382.19	373,382.19
Northguard	22-Nov-11	15.00%	7,500.00		-	380,882.19
Northguard	23-Nov-11	15.00%	100,000.00	30.0	1,232.88	482,115.07
Northguard	25-Nov-11	15.00%	(7,500.00)		-	474,615.07
Northguard	02-Dec-11	15.00%	150,000.00	21.0	1,294.52	625,909.59
Northguard	23-Dec-11	15.00%	(150,000.00)		-	475,909.59
Northguard	23-Dec-11	15.00%	(475,910.59)		1.00	0.00
Northguard	24-Jan-12	15.00%	16,500.00	357.0	2,420.75	18,920.75
Northguard	27-Jan-12	15.00%	50,000.00	354.0	7,273.97	76,194.73
Northguard	02-Feb-12	15.00%	15,100.00	0.0	-	91,294.73
Northguard	03-Feb-12	15.00%	100,000.00	347.0	14,260.27	205,555.00
Northguard	06-Feb-12	15.00%	(15,100.00)		-	190,455.00
Northguard	10-Feb-12	15.00%	100,000.00	340.0	13,972.60	304,427.60
Northguard	02-Mar-12	15.00%	75,000.00	319.0	9,832.19	389,259.79
Northguard	13-Mar-12	15.00%	75,000.00	306.0	9,431.51	473,691.30
Northguard	30-Mar-12	15.00%	75,000.00	291.0	8,969.18	557,660.48
Northguard	12-Apr-12	15.00%	75,000.00	278.0	8,568.49	641,228.97
Northguard	11-May-12	15.00%	60,000.00	249.0	6,139.73	707,368.70
Northguard	15-Jun-12	15.00%	50,000.00	214.0	4,397.26	761,765.96
Northguard	26-Jun-12	15.00%	45,000.00	203.0	3,754.11	810,520.07
Northguard	04-Jul-12	15.00%	42,000.00	195.0	3,365.75	855,885.82
Northguard	20-Jul-12	15.00%	60,000.00	179.0	4,413.70	920,299.52
Northguard	03-Aug-12	15.00%	40,000.00	6.0	98.63	960,398.15
Northguard	09-Aug-12	15.00%	(40,000.00)	0.0	-	920,398.15
Northguard	August	15.00%	50,000.00	137.0	2,815.07	973,213.22
Northguard	September	15.00%	50,000.00	107.0	2,198.63	1,025,411.85
Northguard	October	15.00%	50,000.00	76.0	1,561.64	1,076,973.49
						1,076,973.49

Principal Owing	973,500.00
Interest Owing	103,473.49
Variance	- 0.00


 S. G. G. G.

Dec 18, 2012
 date

Schedule "B"
LICENSE AGREEMENT

This License Agreement ("this LA") is made as of **August 25, 2011** (the "Effective Date") between Elementa Group Inc. ("Elementa"), a corporation incorporated under the laws of Ontario, and Andrew Ferri with a corporation to be named ("AF"), (collectively, the "Parties").

IN CONSIDERATION of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties hereto, the Parties hereto covenant and agree as follows:

1.0 PROJECTS

- 1.1 This LA pertains to municipal waste-to-energy projects to be developed from time to time between the Parties (each a "Project" and, collectively, the "Projects") deploying Elementa's steam reforming systems technology for the conversion of waste into valuable syngas for power generation (electrical and heat generation). Elementa owns the steam reforming system, related technology, trade secrets, patents, license agreements, engineering and know how (the "Elementa Technology")
- 1.2 The Elementa Technology to be utilized in a Project shall be subject to the terms and conditions of Elementa's technology licensing agreement ("TLA"), as may be amended from time to time and shall be mutually agreed upon between the Parties.
- 1.3 AF is a person with experience and know how in financing various types of commercial ventures and has expressed a willingness and ability to finance future Projects as a financing partner of Elementa's in such Projects, as described below.

2.0 ST. LUCIA PROJECT

- 2.1 The Parties acknowledge and agree that a mutually acceptable structure, including operating entity, shall be formed for each Project, consistent with this LA. It is anticipated that Elementa's planned St. Lucia waste-to-energy project (the "St. Lucia Project") will be the first Project.
- 2.2 It is the Parties' intention that AF will provide project financing (a combination debt & equity in the St. Lucia Project operating entity) to enable the St. Lucia Project to proceed. (the "St. Lucia Project Financing")
- 2.3 Elementa shall provide AF with a business plan and all reasonable Project information and documents to satisfy all project lenders. Upon receipt of this information AF will have 120 business days to secure the financing necessary for the St. Lucia Project. Elementa has the right to extend this timeframe, which shall be done reasonably.
- 2.4 Upon securing all of the necessary financing for the St. Lucia Project, Elementa will provide a mutually agreed upon schedule for the St. Lucia Project, as well as a TLA for the licencing of the Elementa Technology to the St. Lucia Project operating entity, which shall be created upon agreement of the parties (the "St. Lucia Operating Entity").
- 2.5 Elementa shall bill to AF monthly (30 business days) for its engineering services under a commercially reasonable agreement.
- 2.6 Save and accept Elementa's engineering portion of St. Lucia Project cost (at reasonable rates) the remaining St. Lucia Project shall be on a cost basis.

Ongoing license fee for the licence of the Elementa Technology to the St. Lucia Operating Entity of 20% shall be paid after AF once has recovered all his equity investments inclusive of a 10% annual rate of return. All parties will be paid on a cash-flow basis.

3.0 NORTHGUARD FIRST RIGHT OF REFUSAL

3.1 Upon securing all of the financing necessary for the St. Lucia Project, the Parties agree that once Elementa has identified a project using Elementa Technology it shall be obligated to provide the following information to AF for the purposes of allowing AF one initial opportunity to assess the potential Project and determine whether it wishes to becoming the financing partner with Elementa on such potential Project:

- (a) a business plan and financial documents**
- (b) all other documents identified by Elementa as necessary to AF's project financing assessment**

3.2 Upon receipt of the information identified in Section 3.1, AF shall have 60 business days to inform Elementa in writing of its irrevocable intention to become the financing partner in such potential Project. Elementa shall provide AF with 120 business days to obtain the necessary financing for the Project and commit to the entire Project financing on terms mutually acceptable between the Parties. At such time a TLA to provide the licence of the Elementa Technology to the Project entity is executed,, Elementa shall receive Project funds as per TLA.

3.3 The Parties acknowledge and agree that the AF First Right of Refusal applies only once in respect of any potential Project regardless of any subsequent amendments or reformulations of the Project terms, including, but not limited to the, Project partners, entity structure, waste sources, or energy off-takers.

3.4 Upon exercising an AF First Right of Refusal, AF shall be required to fund the working capital requirements set out in the agreed business plan or Project agreements, as applicable, in respect of each approved Project.

3.5 Where AF exercises an AF First Right of Refusal, AF shall, as financier, use commercially reasonable efforts in good faith to assist Elementa in structuring the capital requirements of each potential Project to maximize the returns to Elementa and AF.

3.6 The AF First Right of Refusal shall expire if AF fails to finance three (3) consecutive projects.

4.0 NORTHGUARD'S WARRANTS IN ELEMENTA

4.1 The Parties acknowledge and agree that as partial consideration for AF's covenants and agreements contained in this LA, Elementa shall provide 2.5 million (2,500,000) share purchase warrants to AF for the purchase of common shares in Elementa at \$2.00 a common share on such terms and conditions to be mutually agreed upon by the Parties and in good faith. The warrants shall expire on the earlier of seven (7) years from the date of this LA and the time immediately preceding a Liquidity Event.

5.0 LICENCING OF ELEMENTA'S TECHNOLOGY

- 5.1 The Parties acknowledge and agree that Elementa shall licence the Elementa Technology to each Project entity, as applicable, for the sole purpose of deploying it in a Project under the terms of this LA. The Parties agree that all rights in respect of the Elementa Technology, including, but not limited to, any amendments or improvements to the Elementa Technology, including if developed by the the Project entity, remain the exclusive property of Elementa. The license is exclusive for each Project for the period and term of the Project contracts, unless otherwise agreed between the Parties.
- 5.2 It is further agreed that, at no time, shall the Project entity register or otherwise encumber the Elementa Technology and that, in the unanticipated event such a registration or encumbrance occurs, Northguard agrees to immediately take all necessary steps to discharge, unregister or unencumber, as applicable, the Elementa Technology and Project entity on it own behalf and on behalf of its voting interest in each Project, irrevocably authorizes and grants Elementa a limited power of attorney to take any such steps or action to discharge any such security or registration. The power of attorney granted herein is coupled with an interest.

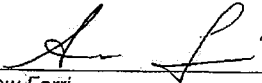
6.0 GENERAL PROVISIONS

- 6.1 Aside from Professional Services, any expenses incurred by any Party in preparation for or as a result of this LA or the Parties' meetings and communications or any work done hereunder are to the sole account of the Party incurring same unless otherwise agreed in writing.
- 6.2 The Parties will not disclose the existence or content of this LA to any third party without the prior written approval of all parties, which approval may be withheld in the sole discretion of any Party, except as required by law or to enforce the right of a Party against a third party.
- 6.3 This LA shall be governed by the laws of the Ontario. Any dispute or difference among the parties must be finally and exclusively resolved by a commercial arbitrator in Toronto, Ontario, selected by agreement of the Parties to resolve the dispute or difference in accordance with ICC Rules. Nothing in this LA shall prevent a Party from seeking injunctive relief or other relief in equity arising from any breach or anticipated breach of any or the provisions of this LA relating to any Party's intellectual property or confidentiality rights, including, but not limited to, the non-disclosure agreements entered into among the Parties, and there shall be no requirements to post a bond or other security in respect of any such action. The Parties further acknowledge and agree that such confidentiality requirements also apply to this LA.
- 6.4 Each party's obligation to negotiate in good faith, in no event shall any party hereto be liable to the other for any claim, damage, injury or loss of any nature arising out of or related to this LA. IN NO EVENT SHALL ANY PARTY BE LIABLE FOR SPECIAL, INCIDENTAL, PUNITIVE, INDIRECT OR CONSEQUENTIAL DAMAGES ARISING FROM OR CONNECTED WITH THIS AGREEMENT. ALL TANGIBLES AND INTANGIBLES PROVIDED PURSUANT TO THIS AGREEMENT ARE PROVIDED "AS IS" AND THE PARTIES MAKE NO WARRANTIES OR CONDITIONS, WHETHER EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, WARRANTIES OR CONDITIONS OF MERCHANTABILITY, MERCHANTABILITY QUALITY AND FITNESS FOR A PARTICULAR PURPOSE.
- 6.5 No Party shall assign or transfer this LA, in whole or in part without the prior written consent of the other, which consent shall not be unreasonably withheld.
- 6.6 This LA constitutes the entire understanding and agreement of and among the Parties with respect to the subject matter hereof and supersedes all prior representations and agreements,

verbal or written. It shall not be varied, except by an instrument in writing duly executed by the authorized representatives of the Parties.

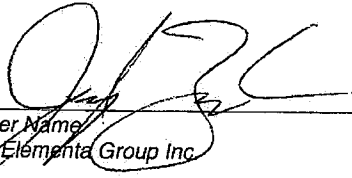
6.7 Headings as used herein are for reference purposes only and are not part of this LA.

IN WITNESS WHEREOF this LA has been executed by the parties as of the Effective Date.



Andrew Ferri

Date August 25, 2011



Officer Name
Title Elementa Group Inc

Date August 25, 2011

Schedule "E"

EnQuest Power - Assets

Capital Equipment

Scrubber System	65,000.00	
Agilent Analyser	68,797.00	
Focus-On -Combustion - Flare System	77,261.58	
Indirectly Heated Rotary Kiln	100,000.00	market value \$300,000
Instrumentation	125,000.00	
Blower/Fan System	75,000.00	
Carbon/HEPA Filter	25,000.00	
Primary Shredder	25,000.00	
Conveyor and Magnet System	30,000.00	
Odour Control System	12,000.00	
Misc.	20,000.00	
	<hr/>	
	412,000.00	

APPENDIX P

Elementa Group Inc.

Meeting of the Board of Directors

Friday, October 25, 2013

Call to Order

The meeting was called to order at 2:30 PM

Attendance

Present — by telephone: Denis Turcotte (Chair), Michael Caletti, Erv Krause, David Bessey, Jeffrey Myers, and Mark Mullins (secretary);

— at the Elementa offices: Jayson Zwierschke, Garry Rawson, and Doug Fowler.

Absent: Len Zwierschke

Agenda Items

RECENT LETTER RECEIVED FROM THE ONTARIO SECURITIES COMMISSION (OSC) REQUESTING DETAILS AND DOCUMENTATION ABOUT ELEMENTA'S PROCESS TO RAISE INVESTMENT CAPITAL FROM PRIVATE SOURCES

- Jayson Zweirschke responded that they had followed the rules as set down by the OSC regarding raising private capital, and that as far as they knew, the files were complete and transactions were adequately documented. Management would respond fully, carefully, and promptly to the request for information from the OSC.

BILATERAL AGREEMENT BETWEEN JAYSON ZWEIRSCHKE AND ANDY FEHRI

- Jayson Zweirschke acknowledged that he had made an arrangement with Andy Fehri regarding options for "a couple of million" of his own shares in exchange for continued funding from Andy Fehri and/or one of his associated companies. This arrangement was unknown to the board, which has to approve all actual and potential transfers of share ownership. It was agreed that Doug Fowler and Erv Krause will work with Jayson Zweirschke and Andy Fehri to document this correctly. Jayson Zweirschke agreed to provide legal certification that there are no other arrangements having to do with Elementa that are unknown to the Board.

Elementa Group Inc.

ENERGY-FROM-WASTE AGREEMENT BETWEEN ELEMENTA AND THE ONTARIO POWER AUTHORITY (OPA)

- Jayson Zweirschke stated that we are waiting for Minister to sign a new directive. He has heard that the Minister has signed the directive but it has yet to show up at the OPA, which they expect by mid to late November.
- There was discussion from Jayson Zweirschke and Denis Turcotte on whether (competitor) Plasco has already signed an agreement for 10¢/kWh for electricity produced (indications are that they have not). It was generally agreed that if Plasco signs an agreement for 14¢/kWh, then Elementa should be entitled to receive that amount retroactively based the OPA's stated commitment to 'fairness'. It was agreed that there is much risk in not signing now and instead waiting to possibly receive a higher rate. There was discussion around the difficulty of this choice, but also general agreement with the strategy of signing an Agreement ASAP and continuing to push for a reset to a higher reimbursement rate if possible.

CASH SITUATION

- Management continues to raise enough to cash to meet payroll and keep up reasonably well with the rent.

MID-TERM FINANCING

- Jayson Zweirschke stated that he had met with potential investors Tom Rankin and The Dykstra Group regarding larger amounts (in the millions of dollars). Garry Rawson stated that his discussions with potential investors are more based on the share of the company that the investor expected to acquire for a certain investment rather than on a set share price. Management will continue to raise money at favourable rates (\$2/share and above) where possible.
- Legal counsel has confirmed – and management has acknowledged – that it is acceptable to try to raise capital while the OSC investigation is continuing.
- Reverse Dutch auction process – it was discussed whether the Board favoured moving ahead now with investigation of this process. It was generally agreed that we should be prepared to launch a major capital-raising effort as soon as the Agreement with the OPA is signed, and that the Dutch Auction process is a reasonable way to do this. Denis

Elementa Group Inc.

Turcotte will further discuss the concept with Ms. Oliver at Bennett Jones to make sure that we get the best legal advice surrounding this issue.

- There were no alternative ideas for raising substantial and adequate investment capital put forward at this meeting.

GOVERNANCE PROCESS AND IMPROVEMENT

- Ms. Oliver recently raised concerns that minute book is not up to date, and that an Annual General Meeting has not been held since 2010. The Directors reiterated their need to receive Board meeting minutes in a timely manner, and they reaffirmed the necessity of having all corporate records (minute book, etc.) brought up to date. The requirement for a shareholders' meeting will be further discussed with Ms. Oliver.
- Director Mark Mullins agreed to act as Secretary of the Board meetings until replaced.

CAPEX FOR THE SAULT STE. MARIE PLANT

- Tim Krause, Jeff Myers and Michael Caletti reviewed the proposed capital cost for the SSM plant. *Based on the estimates available*, the cost for the SSM plant should be about \$52 million, with a 'high-end' of \$59 million. However, it was noted that the underlying estimates require substantial verification before adequate certainty can be claimed.

In-camera

An in-camera session of non-management directors was held.

Adjournment

The meeting was adjourned a 4:10 PM

APPENDIX Q

NORTHGUARD CAPITAL CORP.

c/o P.O. Box 710
Niagara Falls, ON
L2E 6X7

HAND DELIVERED

February 7, 2014

Elementa Group
509 Glendale Avenue, Suite 302
Niagara-on-the-Lake, ON
LOS 1J0

ATTENTION: Mr. Jayson Zwiërschke

Dear Sir:

RE: Sault Ste. Marie Project

Further to our meeting on February 6, 2014, please be advised we will not be moving forward with the above noted project pursuant to our agreement of August 25, 2011.

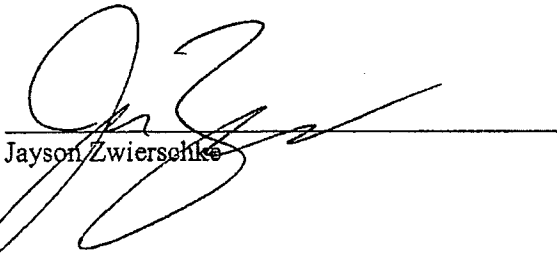
Thank you for the opportunity and I regret that we are not in a position to move forward with your project.

Yours truly,



Andrew Ferri

Acknowledgement of Receipt:



Jayson Zwiërschke

APPENDIX R

Elementa Group Inc.
Meeting of the Board of Directors
Friday, March 7, 2014

Call to Order

The meeting was called to order at 10 AM

Attendance

Present — Denis Turcotte (Chair), Mark Mullins (Secretary), Erv Krause, David Bessey, Michael Caletti, Jeff Myers, Doug Fowler, Jayson Zwierschke, Len Zwierschke

Absent — Garry Rawson (non-Director, management)

Minutes of the January 13, 2014, meeting

MOTION: Erv Krause moved that the Minutes be adopted as read. PASSED.

Matters Arising from the Minutes

Agenda Items

MANAGEMENT REPORTS

Current financial situation

- Jayson Zwierschke: \$200k in investment proceeds have come in within the last 6 weeks. The Company is "still two payrolls behind." The pays will be brought up to date "by the end of next week" (March 14).
- Doug Fowler: The Company has not made a payroll payments since January 3rd, so he has to assume that the Company is 4 to 5 payments behind, and the Source Deductions are in arrears by \$52k. Jayson Zwierschke: A payroll payment was made two weeks ago.
- Jayson Zwierschke: there are now 10 on payroll
- Denis Turcotte asked Jayson Zwierschke how incoming funds will be allocated. Jayson Zwierschke stated that 'pay in arrears' was the first priority; the second priority is source deductions (the latter are offset by SRED and HST rebates).

Jayson Zwierschke and GR were asked to provide a spreadsheet showing the people employed, their monthly pay, how many pays behind they are, if they have been given layoff notices, and the state of their source deductions and vacation pay, etc. Doug was asked to review this spreadsheet as Executive Committee Chair.

- Jayson Zwierschke: the 2011 and 2012 statements are ready to audit when funds re available. Luke is working on the 2013 year end and should have it ready for audit by the end of March.

A draft of the 2013 year-end financial statements, including notes, is to be sent to the Audit Committee as soon as it is ready.

-Jayson Zwierschke: Out-of-pocket spending has been confined to Bell, Telus, Cogeco, lease payments, and insurance. GR has a detailed 12-month cash flow.

GR's cash flow forecast to be updated and circulated to the Board

A list of the last three months' financing meetings – meeting by meeting – is to be circulated to the Board.

GR is to report to the EC weekly on the financing meetings held, including general comments on the meetings.

GR is to send a summary of the financing meetings held, including general comments on the meeting, to the Board monthly.

-Jayson Zwierschke reported on financing meetings in progress [REDACTED]

Sault Ste Marie Project – status review

-Jayson Zwierschke: doing what we can with no money.

-Denis Turcotte: we need to be 'on the same page' wrt project costs;

Jayson Zwierschke needs to get together with Jeff Myers and Tim Krause over the next three or four weeks to decide on a project cost estimate that can be communicated to the outside world

Jayson Zwierschke must provide the Board with a list of grants and their status

-Jayson Zwierschke: Andy Ferri is "still interested" in the SSM project

OSC Investigation – status report

-Jayson Zwierschke has the lawyers for an update memo. The OSC has asked for a comment on each investor and how their investment fit with the legislation in effect at the time;

-the OSC has suggested Elementa use an Exempt Market Dealer to do trades. Jayson Zwierschke is talking to two now;

- the OSC is looking at Elementa registering as a "reporting issuer." The Company will need to develop a prospectus;
- The OSC knows that we continue to sell shares;
- we seem to be near the end of intense scrutiny.

Eden Oliver to comment on how comfortable the Directors should be with on-going sales of shares, and also with the length of time that it will take to finalize the matter with the OSC.

CRA Investigation – status report

- Jayson Zwierschke: we received the SR&ED and HST rebates from 2012 in 2013 after the CRA withheld amounts owing to them.

GR should send a reconciliation of our accounts with the CRA to the Board

Jay/ Andy Ferri Option agreement – status of resolution

- Denis Turcotte: Andy Ferri is telling people that the Company owes him options and penalty payments. The Board will write a letter to Andy Ferri "over the next three or four weeks" outlining our position that anything offered to Andy Ferri by Jayson Zwierschke and not explicitly approved by the Board is not legitimate.
- Jayson Zwierschke: now close to agreement for 2½ million options with Andy Ferri. The issue should be resolved within 30 days.

Jayson Zwierschke needs to nail down the legitimate amounts owed to Andy Ferri ASAP.

Strategic relationships – update

- Jayson Zwierschke: talking to Glen Martin, who has funding from OMERS. He is, according to Denis Turcotte, a solid character, specialist in smart grid, well-known and respected in SSM;
- still negotiating with Battelle over the pilot plant, and working with them on an MOU.

MANAGEMENT'S MILESTONES FOR THE NEXT 90 DAYS

Work plan highlights

- Denis Turcotte: We need to be sure that we don't miss any milestones that will invalidate the OPA contract.

Jayson Zwierschke has committed to providing the Board with a GANFT chart on the SSM project.

EXECUTIVE COMMITTEE REPORT – UPDATE

Priorities and functionality of the Committee

- Doug Fowler: functionality is poor. Information requests are ignored. Information, when received, is not correct (example: number of pays missed reported by Jayson Zwierschke to be two when,

Elementa Group Inc.

March 7, 2014

in fact, it is more like four or five). Other critical information, such the draft deal with Andy Ferri is kept hidden.

Working with management on priorities

A functioning EC must be re-established.

OTHER

-None.

Adjournment

The Board meeting was adjourned at 12:05 PM

In-camera

An in-camera session of non-management Directors was held following the Board meeting

APPENDIX S

Mario Forte

From: Greg Temelini <Greg@WrightTemelini.com>
Sent: February-29-16 11:44 AM
To: Mario Forte
Subject: Elementa Receivership
Attachments: ELEMENTA AGREEMENT APRIL 30, 2013.pdf

Good morning Mario,

My client just recently provided me with the attached document which is an agreement between Elementa, Northguard Capital Corp., Andrew Ferri and an entity called Elementa SSM Inc.

This agreement pre-dates the Notice contained at Exhibit H of Ms. Oliver's affidavit. I would ask you to review this document and would like to discuss it with you at your earliest convenience.

Greg



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