

## NUCOAL ENERGY CORP.

### PROXY CIRCULAR

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**For the Annual General of Shareholders  
to be held on Friday, May 20, 2011.**

#### **A. MANAGEMENT SOLICITATION**

This Proxy Circular is provided in connection with the solicitation of proxies by the current Board of Directors (the “**Board of Directors**”) and management of NuCoal Energy Corp. (the “**Corporation**”) for use at the Annual General Meeting of Shareholders (the “**Meeting**”) of the Corporation to be held on May 20, 2011, at 10:00 a.m., Saskatchewan time, in the Estevan Room at the Hilton Garden Inn, 90 – 22<sup>nd</sup> Street East, Saskatoon, Saskatchewan, for the purposes set out in the accompanying Notice of Annual General Meeting (the “**Notice of Meeting**”). The Corporation will send its proxy solicitation materials directly to registered and beneficial holders of its shares. The cost of the solicitation of proxies will be borne by the Corporation.

#### **B. PROXY INSTRUCTIONS**

A form of proxy (the “**Form of Proxy**”) is provided with the Meeting materials for your use in the event you cannot or do not wish to attend the Meeting and yet still wish your vote to count and be heard at the Meeting.

In order to be used at the Meeting, all proxies must be deposited with the Corporation’s agent designated for that purpose, McDougall Gauley LLP, Barristers and Solicitors, at their office located at 701 Broadway Avenue, Saskatoon, Saskatchewan, S7N 1B3 (the “**Depository**”), fax: 306-652-1323, or email: [bnickel@mcdougallgauley.com](mailto:bnickel@mcdougallgauley.com), by **12:00 p.m. on Thursday May 19, 2011** in order for the proxy to be voted or relied upon at the Meeting. All proxies are required to be deposited with the Depository by the aforesaid date and time so that the Depository can, reasonably in advance of the Meeting, tabulate all proxies received and advise both the Chair of the Meeting and the two proponents bringing their proposals forward at the Meeting of the number of proxies received, the designated proxy in each instance and the number or shares represented by such proxies. **Proxies that are not received by the Depository in advance of the Meeting may not be voted or relied upon at the Meeting. This requirement applies even if you wish to appoint someone other than a member of NuCoal’s management as your proxy.**

The Form of Proxy is being solicited by the current Board of Directors and management of the Corporation and accordingly it provides that, unless otherwise indicated by the Shareholder, the designated proxy for a shareholder shall be Stephen P. Halabura P.Ge. F.E.C. (Hon.) in his capacity as the Chairman of the Meeting.

As set out in more detail herein, the current Board of Directors of the Corporation supports the Toms Plan (as defined below). Designating Stephen P. Halabura as your proxy, without further instruction, will result in Mr. Halabura voting your shares in favor of the Toms Plan and the slate of directors associated with that plan as well as in favor of the motion to appoint Hergott Duval Stack LLP, Chartered Accountants, as the auditors of the Corporation for the financial year ending December 31, 2011.

If, instead, you favor the Burns Plan (as defined below), you are invited to insert Mr. Burn’s name, “John

King Burns”, into the blank provided on the Form of Proxy for that purpose, and by doing so, without further instruction, you will be authorizing Mr. Burns to vote your shares in favor of his plan and the slate of directors associated with his plan, and in his discretion in respect of any other motions that may properly come before the Shareholders at this Meeting.

**Each shareholder has the right to appoint any person or company, in addition to the persons designated in the proxy, to attend and act for him, her or it and on his, her or its behalf at the Meeting, and may exercise such right by inserting the name of the person or company in the blank space provided in the proxy or by submitting another appropriate proxy.** A person or company appointed as a proxy need not be a shareholder of the Corporation. Irrespective of who you designate as your proxy, your proxy is required by law to follow your voting instructions as set out by you in your Form of Proxy.

The Form of Proxy gives the shareholders an opportunity to specify his or her shares to be voted for or against the motions therein specified. The shares represented by the proxy will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for and if the shareholder specifies a choice with respect to any matter to be acted upon, his or her shares will be voted accordingly.

The Form of Proxy gives discretionary authority to the proxy nominees with respect to amendments or variations of matters identified in the Notice of Meeting or other matters which may properly come before the Meeting. At the date hereof, the Board of Directors of the Corporation knows of no matters to come before the Meeting other than the matters referred to in the foregoing Notice of Meeting. However, if any other matters should properly come before the Meeting, the shares represented by proxies in favour of the Board of Directors nominee will be voted on such matters in accordance with the best judgment of the proxy nominee.

### **C. NON-REGISTERED HOLDERS**

Only shareholders whose names appear on the records of the Corporation as the registered holders of shares or duly appointed proxy-holders are permitted to vote at the Meeting. Some shareholders of the Corporation are “non-registered” shareholders because the shares they own are not registered in their names but instead registered in the name of a nominee such as a brokerage firm through which they purchased the shares; a bank, trust company, trustee or administrator of self-administered RRSPs, RRIFs, RESPs and similar plans; or a clearing agency such as The Canadian Depository for Securities Limited (each, a “**Nominee**”). If you purchased your shares through a broker, you are likely a non-registered holder. Shares held by Nominees can only be voted in accordance with the instructions of the non-registered holder.

The Corporation has distributed copies of the Meeting materials, being the Notice of Meeting, this Proxy Circular and the form of proxy, directly to non-registered holders. Nominees often have their own form of proxy and/or request for voting instructions (a “**VIF**”), which is instead of a proxy. **If you, as a non-registered holder, wish to vote on the matters to be decided at the Meeting please contact your Nominee immediately to obtain your Nominee’s form of proxy and/or VIF.** By returning the Nominee’s form of proxy and/or VIF in accordance with the instructions noted on it, a non-registered shareholder is able to instruct the registered shareholder, the Nominee, how to vote on behalf of the non-registered shareholder.

If you wish to vote by proxy, you should carefully follow the instructions from the Nominee in order that your shares are voted at the Meeting. **If you wish to vote at the Meeting in person, you should appoint yourself as proxy-holder by writing your name in the space provided on the VIF or proxy provided**

by the Nominee and return the form to the Nominee in accordance with the instructions noted on the VIF or proxy including when and where it is to be delivered.

#### **D. REVOCATION OF PROXY**

Proxies given by shareholders for use at the meeting may be revoked at any time prior to their use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the shareholder or by her or his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and depositing such instrument with the Corporation's agent designated for that purpose, McDougall Gauley LLP, Barristers and Solicitors, at their office located at 701 Broadway Avenue, Saskatoon, Saskatchewan, S7N 1B3, fax: 306-652-1323, or email: [bnickel@mcdougallgauley.com](mailto:bnickel@mcdougallgauley.com), at any time up to and including 12:00 p.m. on Thursday May 19, 2011, or by depositing such revocation instrument with the Chairperson of such meeting on the day of the Meeting, or adjournment thereof, and upon either of such deposits the proxy is revoked. **Only registered shareholders have the right to revoke a proxy. If you, as a non-registered holder, wish to change your vote submitted to the Corporation via proxy by your Nominee you must arrange for your Nominee to revoke the proxy on your behalf.**

#### **E. VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The authorized capital of the Corporation currently consists of an unlimited number of Class A common, voting shares. Of the authorized Class A common shares, there are 13,756,513 Class A common shares currently issued and outstanding as fully paid and non-assessable as at the date of this Proxy Circular.

In addition, the Corporation currently has issued 100,000 share warrants and 1,500,000 stock options. Each share warrant entitles the holder thereof to acquire 1 Class A common voting share in the capital stock of the issuer upon payment of the exercise price therefore, if exercised within two (2) years of its issuance date. Similarly, each stock option entitles the holder thereof to acquire 1 Class A common voting share in the capital stock of the Corporation upon payment of the exercise price therefore, if exercised within five (5) years of its issuance date. No options or warrants were exercised by the holders thereof in the 2010 financial year.

If each of the warrants and options currently issued by the Corporation were exercised, the total number of issued securities of the Corporation on a fully-diluted basis would be 15,356,513 Class A common voting shares.

Holders of Class A common shares in the Corporation are entitled to one (1) vote per share at the Meeting on all matters coming before the shareholders at the Meeting. The record date for determining those shareholders who are entitled to receipt of notice and to attend and vote at this Meeting is as of the close of business on the day immediately preceding the day the Notice of the Meeting is issued by the Corporation.

An ordinary resolution requires approval by a majority of fifty percent of the shares plus one (1) share (50% + 1) represented in person or by proxy at the Meeting, or any adjournment thereof, to be cast in favour of such resolution in order for it to be carried. Voting on all resolutions put forward by the Chairperson of the Meeting for consideration by the shareholders, shall be done by way of a show of hands, unless a demand for a ballot is made either before or after a vote by show of hands is taken.

To the knowledge of the directors and officers of the Corporation, as of the date hereof, the following

persons exercise control or direction over voting securities of the Corporation carrying ten (10%) percent or more of the voting rights attached to the issued and outstanding voting shares of the Corporation:

<b>Name</b>	<b>Class A Shares Held</b>	<b>Percentage of Total Class A Shares</b>
<b>Tom MacNeill</b>	<b>2,406,770<sup>(1)</sup></b>	<b>17.5%</b>
<b>Alan Cruickshank</b>	<b>1,383,350<sup>(2)(3)</sup></b>	<b>10.1%</b>

Notes: (1) excludes the 100,000 options directly held by Tom that have not been exercised as of the date hereof.

(2) excludes the 1,600 warrants indirectly controlled by Alan that have not been exercised as of the date hereof.

(3) excludes the 400,000 options directly held by Alan that have not been exercised as of the date hereof.

There are no shares in the capital stock of the Corporation issued and outstanding except for the issued Class A common shares referred to herein.

#### **F. REPORT ON THE BUSINESS AFFAIRS OF THE CORPORATION**

The present Chairman, Stephen P. Halabura, will provide a report to the shareholders highlighting the business affairs of the Corporation since the Corporation's last annual general meeting held September 23, 2010.

#### **G. CONSIDERATION OF FINANCIAL STATEMENTS**

A copy of the audited financial statements for the Corporation, prepared by Hergott Duvall Stack LLP, Chartered Accountants, is provided to each shareholder together with the Notice of Meeting. The Board of Directors has approved the audited financial statements in form and content.

The auditors of the Corporation, Hergott Duvall Stack LLP, will be in attendance at the Meeting to present the audited financial statements to the shareholders and answer any questions of the shareholders arising out of the audited financial statements.

#### **H. PRESENTATION BY PERRY TOMS**

At the request of the Board, Perry Toms has been asked to provide a presentation to the shareholders of NuCoal respecting the vision and plan that he and his team have for the future of NuCoal. A summary of Perry Toms' plan (the "**Toms Plan**") is attached to this Circular. Mr. Toms has indicated that he will be in attendance at the Meeting to present his full plan to shareholders and answer any questions they may have.

The Board of NuCoal has reviewed the Toms Plan and with the advice of the company's strategic advisor, Mr. Francis Pope of Pope & Company, **has accepted and endorsed the Toms Plan as being most beneficial to the shareholders of NuCoal** and furthermore, **recommends to shareholders that they also support this plan by voting their shares FOR the election of the nominee directors represented in this plan.** It would be the intention, if elected at the Annual General Meeting of shareholders, that this slate of Directors would subsequently implement this plan.

## I. PRESENTATION BY JOHN KING BURNS

John King Burns has requested that he be allowed to give a presentation to the shareholders of NuCoal respecting his vision and plan for the future of NuCoal. A summary of John King Burns' plan (the "**Burns Plan**") is attached to this Circular. Mr. Burns has indicated that he will be in attendance at the Meeting to present his full plan to shareholders and answer any questions they may have.

The Board has received and considered the Burns Plan but has concerns with such plan that Mr. Burns has, as of the date of this circular, not been able to address in a manner satisfactory to the Board and the Board's strategic advisor. As a result, **the Board is unable to endorse or support the Burns Plan, and recommends to shareholders that they WITHHOLD from voting for the election of the nominee directors being put forward by Mr. Burns' as part of his plan.**

## J. MATERIAL INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Save and except for the inherent interest in the outcome of the vote of those involved, none of the Corporation's directors or officers, nor any proposed nominees for election as directors of the Corporation, nor any associate or controlled corporation of such person has any direct or indirect material interest in any matter to be acted on at the Meeting.

## K. PARTICULARS OF MATTERS TO BE ACTED UPON

### 1. Appointment of Auditor

Hergott Duval Stack LLP, Chartered Accountants, Suite 1200, 410 – 22<sup>nd</sup> Street East, Saskatoon, Saskatchewan, S7K 5T6, has been the auditor of the Corporation since incorporation of the Corporation, and has prepared the audited financial statements of the Corporation for the year ending December 31, 2009, enclosed with the Notice of Meeting.

The Board of Directors recommends that shareholders vote FOR the resolution appointing Hergott Duval Stack LLP to be the auditors of the Corporation to hold office until the next annual general meeting of the shareholders at a remuneration and on such terms as the Board of Directors of the Corporation may agree to.

### 2. Election of Directors

Directors are elected annually by the shareholders at the annual meeting to hold office from the termination of the meeting at which they were elected until the next annual meeting of shareholders, or until their successors are elected or appointed pursuant and subject to the provisions of applicable legislation and the by-laws of the Corporation. While the Articles of the Corporation provide that the Board may consist of between one (1) and nine (9) individuals, the Board has previously been constituted by the shareholders as having five (5) positions and accordingly five (5) positions will be open for election at this Meeting.

As there are two competing plans being proposed to shareholders at this Meeting respecting the future of NuCoal, these being the **Toms Plan** and the **Burns Plan**, the current Board of Directors believes that the best way for shareholders to exercise their right to vote on which plan they most support, is by electing the slate of directors represented in that plan, as the directors thus elected will

ultimately be responsible for the execution of that plan.

The following two tables set forth the name and prescribed information for each nominee director being put forward for election at this Meeting in relation to each plan.

**The nominee directors intending to implement the Toms Plan are:**

<b>Name, Province and Country of Residence</b>	<b>Position with Corporation</b>	<b>Principal Occupation</b>	<b>Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly</b>
<b>Perry Toms</b> B.A., HBA Collaroy, NSW, Australia	None	Executive Director Advantage Strategies Group	None
<b>Stephen P. Halabura<sup>(1)</sup></b> P.Geo. F.E.C. (Hon.) Saskatoon, SK, Canada	Director (since April 23, 2008) and Chairman of the Board	President and CEO of Concept Forge Inc., and previously President and CEO of North Rim Exploration Ltd.	535,000 Class A shares <sup>(2)</sup> (3.9% of the issued shares)
<b>James Lumley</b> Hertfordshire, England	None	Consultant, and previously head of Land Acquisitions and Marketing of Inner Circle Group	None
<b>James Stephenson</b> Q.C. P. Eng. Toronto, ON Canada	None	Self-employed merchant banker	None
<b>Adam Hedayat</b> P. Eng. Calgary, AB Canada	None	President of Hampco Enterprises Ltd. and Vice President, Mediterranean, Middle East, and Africa for Sea NG Corporation	None

Notes:

- (1) member of the audit review committee and compensation committee;

- (2) does not include the 300,000 stock options issued to Stephen as compensation for his services as professional advisor and Director of NuCoal;

**The nominee directors intending to implement the Burns Plan are:**

<b>Name, Province and Country of Residence</b>	<b>Position with Corporation</b>	<b>Principal Occupation</b>	<b>Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly</b>
<b>John King Burns</b> Philadelphia, Pennsylvania USA	None (formerly a director from June 26, 2009 to Sept 23, 2010)	Director – Dolly Varden Silver Corp., Director – Corazon Gold Corp., Director – China Gold International Resources Corp Ltd.	1,260,340 Class A shares (9.16% of the issued shares)
<b>George Heard</b> P.E. Vancouver, BC Canada	None	CEO of Thelon Capital	None
<b>John Rogers</b> P.E. Geneva, Switzerland	None	Consultant, and previously Vice President Commercial Business Development of Cotecna Inspection SA	100,000 Class A shares (0.7% of the issued shares)
<b>Peter Espig</b> Vancouver, BC Canada	None	CEO of Advance Capital Japan, Director – Star Bulk Carriers Corp.	None
<b>Don Gillen</b> Saskatoon, SK Canada	None	Investor and entrepreneur	100,000 Class A shares (0.7% of the issued shares)

## **Biographies:**

The following are the biographies of the aforementioned nominees, which information was provided to the Corporation by the individual nominees. Although management has confirmed with each of the nominees that they are willing to let their name stand for election to the Board of Directors of NuCoal, management has not verified the accuracy of the information provided by such nominees:

### **The Slate of Directors Proposed for the Toms Plan:**

- **Perry Toms**

Mr. Toms is a seasoned executive within the conventional and renewable energy industries. Over the past decade Mr. Toms has taken two renewable energy companies public including the AIM-listed Novera Energy Ltd., where he held the position of executive director of business development (2000 to 2003), and the former ASX-listed ABG Biodiesel Limited, where he was president of the North American division (2004 to 2006). Since 2007 Mr. Toms has been leading financing and business development activities for the Australian Ignite Energy Resources – a lignite resource and technology development company.

Mr. Toms has consulted for Calgary's electric energy utility ENMAX Corporation as director of business development (2003 to 2004) as well as a number of small manufacturing and energy technology firms. From 1997 to 1999, Mr. Toms served as director of business development of Energy Developments Ltd. (Australia) and its then Brightstar Division where he developed biomass thermal gasification and waste biomass to energy projects. Prior to that, from 1990 to 1997, he held successive appointments with TransAlta Corporation. Over the course of his career, Mr. Toms has led the development of many infrastructure projects including the pre-Kyoto-referenced, joint implementation carbon offset projects in India, China, South America and carbon sequestration projects in North America.

- **Stephen P. Halabura P.Geo. F.E.C. (Hon.), *Director***

Mr. Halabura is a co-founder of the Corporation and its current Chairman of the Board. He has provided input to the Toms Plan as part of his advisory services contract to NuCoal, and he has agreed to let his name stand as a nominee for the Toms Plan slate of directors proposed for election to the Board of Directors.

Mr. Halabura is a registered Professional Geoscientist in the provinces of Alberta, Saskatchewan, Manitoba and Ontario and an experienced resource entrepreneur active in the western Canadian mining, conventional and renewable energy industries. Over the past three decades Mr. Halabura has participated in the formation and early-stage development of a number of junior resource enterprises both as a consultant (North Rim Exploration Ltd.) and as an entrepreneur, including enterprises such as Wedona Energy Inc., Wedona Energy (II) Inc. (now part of Penn West Petroleum), Invictus Minerals (now part of K+S's "Legacy" potash solution-mining project), Prairie Hunter Energy Corp. (now part of Renegade Petroleum Inc.), Rallyemont Energy Inc., Admiralty Oils Ltd., and DEEP Inc. He is also a director of publically-listed 49 North Resources Inc. and Kenna Capital Inc.

Mr. Halabura is past-President of the Association of Professional Engineers and Geoscientists of Saskatchewan and is an Honorary Fellow of Engineers Canada.

- **James Lumley**

Mr. Lumley has been engaged as a management consultant for a number of companies for several years. During this time he has advised several resource companies from around the world regarding private equity investment and joint ventures. Mr. Lumley has assisted such companies

in identifying, negotiating and completing private equity and joint venture transactions totaling in excess of \$100,000,000.

- **James Stephenson Q.C. P.Eng.**

Mr. Stephenson has been a mining securities lawyer for over 30 years and has been active in merger and acquisitions internationally, in Canada, Hong Kong, China, Greece, South Africa and Namibia. He has over 25 years of experience in identifying, negotiating, and financing mining exploration and development projects and has been a director/officer or general counsel for a number of public companies. From 2005 to 2008, Mr. Stephenson was associated with Integrated Asset Management Ltd., an alternative asset manager, in forming a resource fund to invest in mining projects worldwide. Mr. Stephenson was founder and CEO of China First Capital Corp, a listed merchant banking operation, financing mining properties and other projects in China. Mr. Stephenson graduated from McGill University as a metallurgical engineer and is a Professional Engineer. He was admitted to the Ontario Bar and was appointed Queen's Counsel in 1976. He was a member of Council for the Association of Professional Geoscientists of Ontario as well as past member of Council for the Professional Engineers of Ontario.

- **Adam Hedayat P.Eng**

Mr. Hedayat has extensive expertise in the power and energy sectors, both nationally and internationally. For over 35 years in the energy business, he held leadership and management roles and contributed to the growth of several large leading energy and construction companies in North America and overseas. Such organizations included Sea NG Corporation, SaskPower International and TransAlta Corporation, of Canada; and Morrison Knudsen of Idaho in the USA.

In 1995, Mr. Hedayat formed Hampco Enterprises Ltd. to provide senior advisory services in the energy field to clients in Canada and around the world. Currently, he is the President of Hampco Enterprises.

Mr. Hedayat served as Chairman of the Board of Guyana Power & Light (GPL) since its inception in October 1999 to April, 2003. GPL is a fully integrated utility serving the county of Guyana in South America. He also served as Chairman of the Board and CEO of Northstone Power Corp. Northstone is a privately held Independent Power Producer in the deregulated Alberta electricity market in Canada.

Previously, he served as Chairman of the Board of Drayton Valley Power, a publicly traded income fund on the Toronto Stock Exchange (TSE), with four electricity-generating plants in Canada.

Mr. Hedayat graduated in 1975 with a B.Sc. in Electrical Engineering from the University of Calgary in Canada. He is a registered Professional Engineer in the Provinces of Alberta and Saskatchewan in Canada.

#### **The Slate of Directors Proposed for the Burns Plan:**

- **John King Burns**

Mr. Burns has extensive experience in the global resource sector. Mr. Burns is a former Vice President and Chief Financial Officer of the Drexel Burnham Lambert Commodity Group in New York, London and Chicago, a former Managing Director and Global Head of the Derivative Trading and Finance Group of Barclays Metals Group, Barclays Bank PLC in London and a former Managing Director and an Associated Person of FRM Risk Management Inc. in Chicago. He has also acted as an independent Director, Audit Committee member and lead Director for a number of publicly listed resource companies.

Currently Mr. Burns serves as an Independent Director of NovaDx Ventures Corp. Vancouver, Canada; Director of Hunter Energy LLC, Centennial, Colorado; Senior Project Advisor to Potomac Asset Management Co, Frederick, Maryland and a Director of Jinshan Gold Mines Inc.

- **George Heard B.Sc., M.B.A.**

Mr. Heard has over 35 years in the mining industry where he has been involved in all aspects of mine exploration, feasibility, development and operations. He has managed projects in Africa, Indonesia, Brazil, Mexico, Canada and the U.S. As mine manager, Mr. Heard participated in the successful development of a \$600 million joint venture between RTZ and BP in Indonesia.

Mr. Heard graduated from the School of Mines in Butte, Montana with a B.Sc. in Mining Engineering in 1975 and received an M.B.A. from the University of Hawaii in 1988. He is a registered member of the Association of Professional Engineers and Geoscientists of British Columbia

- **John Rogers**

Mr. Rogers is an experienced senior executive in profit management of large, multi-million dollar business units with multinational companies in various countries including Cotecna Inspection SA, Tatis SA, ProFlex Systems, Trade Trust Ltd. Société Générale de Surveillance SA and SGS SA. His management roles have covered a variety of needs from business start-up, strategic planning, multi-product business development, marketing management and company restructuring.

Mr. Rogers has degree in chemical engineering from the University of New South Wales (BHP prize in chemical engineering), BA studies (Economics), University of Melbourne, Sr. Executive Course, PA Management Consultants and is proficient in English, French and Spanish.

- **Peter Espig**

Mr. Espig is experienced in the analysis of investment opportunities, raising capital, deal sourcing and financial structuring.

In August 2006, he founded and currently serves as CEO of Advance Capital Japan, a private equity and consulting firm focused on raising capital for mid-sized companies and pre-IPO investment and consulting. From 2005 to 2006, Mr. Espig served as Vice-President of the Principal Finance and Securitization Group and Asia Special Situations Group for Goldman Sachs Japan where he was responsible for sourcing and analyzing investment opportunities, balance sheet restructuring and IPO and exit preparations for various corporate and real estate investments. Prior to joining Goldman Sachs, Mr. Espig served from 2004 to 2005 as Vice-President of the New York private equity firm, Olympus Capital, where he participated in corporate restructurings, investment analysis and financing negotiations for both domestic and international investments. From 2003 to 2004, Mr. Espig worked as a leveraged finance, special situations banker for Shinsei Bank where he participated in leverage buyouts and debt restructurings.

In 1989, Mr. Espig received his B.A. from the University of British Columbia and in 2003, Mr. Espig received his MBA from Columbia Business School where he was honored as a Chazen Society International Scholar.

- **Don Gillen**

Mr. Gillen has a wide ranging and diverse interest in all of Saskatchewan's mineral resources and a strong desire to see Saskatchewan prosper. Mr. Gillen grew up on a farm in the Dodsland area. His interest and career in Saskatchewan's resource sector began in the early 1980's with the establishment and operation of two oil and gas companies, Kinderock Resources Ltd and General Resources Ltd., engaged in petroleum and natural gas extraction. Mr. Gillen used his experience

in the oil and natural gas sectors to acquire and build the assets of each company, eventually selling them to Arc Energy in March 2010. As well, during this time Mr. Gillen fostered his love of agriculture, acquiring and operating a large farm in the Yorkton area from 2003-2006. More recently, Mr Gillen has developed experience and an interest in buying and selling mineral resource titles throughout Western Canada. In 2008, Mr. Gillen sold several potash permits that he had earlier acquired to Acron. Through such activity, Mr. Gillen has developed experience in the location of potential mineral deposits, namely coal and potash, and the acquisition and leasing of both Crown and freehold mineral rights.

To the best of the Corporation's knowledge, without any independent investigation of the proposed nominee directors by the Corporation, none of the aforementioned individuals:

- (a) is, as at the date of this Proxy Circular, or has been within ten (10) years before the date of this Proxy Circular, a director or executive officer of any body corporate (including the Corporation) that, while that person was acting in that capacity:
  - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
  - (ii) was subject to an event that resulted, after the director ceased to be a director or executive officer in the company being subject to a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
  - (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within 10 years before the date of this Proxy Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the nominee director.

**Shareholders who are unable to attend the Meeting, but still wish their vote to be counted, are asked to complete and return the Form of Proxy, indicating which slate of directors and therefore which plan they most prefer.**

## **L. EXECUTIVE COMPENSATION**

### **1. Executive Officers**

For the purposes of this Proxy Circular “executive officer” of the Corporation means each of the following individuals:

- (a) the chairperson and any vice-chairperson of the board of directors of the Corporation,

where that person performs the function of that office on a full-time basis;

- (b) the president or chief executive officer;
- (c) any vice-president in charge of a principal business unit including sales, finance or production; and
- (d) any officer of the Corporation who performs a policy-making function with respect to the Corporation, whether or not that officer is also a director of the Corporation.

As at the financial year ending December 31, 2010, the Corporation had only one executive officer: Jamie McIntyre, in his capacities as Interim President and Chief Executive Officer and Chief Operating Officer.

From January 1, 2010 to May 1, 2010, consistent with prior years, all executive officer functions were provided to the Corporation by staff of First Avenue Partners Capital Ltd. (“FAP”) pursuant to the terms of a Management Services Agreement (the “MSA”) entered into between FAP and the Corporation effective January 1, 2009, and as subsequently amended from time to time. For the financial period ending December 31, 2010, the Corporation paid FAP the aggregate sum of \$209,901 (\$342,002 in 2009) under the terms of the MSA. Effective August 1, 2010, the MSA was terminated by mutual agreement of FAP and the Corporation, with the Corporation paying a cash settlement of \$120,000 and a discretionary bonus of \$26,000, plus applicable taxes in accordance with the terms of the MSA.

Effective May 1, 2010, Jamie McIntyre accepted a position as Chief Operating Officer for the Corporation. Effective June 1, 2010 Jeremy Rondeau, Chief Financial Officer, and Allison Sherdahl became an employees directly of NuCoal. Effective August 1, 2010, Jamie’s contract was amended to also include the duties and responsibilities of interim President and Chief Executive Officer in addition to his role as Chief Operating Officer. Effective June 30, 2010, Jeremy Rondeau tendered his resignation from the Corporation and effective November 30, 2010, Allison Sherdahl tendered her resignation from the Corporation.

The executive officers are also entitled to participate in the Corporation’s Stock Option Plan. Stock options issued under the Stock Option Plan are granted or issued to the executive officers of the Corporation by the compensation committee of the Board of Directors, in numbers which recognize on a reasonable basis the officer’s specific contribution to the Corporation in their capacities as executive officers of the Corporation. For the financial year ended December 31, 2010, the following stock options were issued to the Corporation’s Executive Officers:

- Jamie McIntyre – 500,000
- Allison Sherdahl – 50,000

Each option has a life of five (5) years from the date of issuance and entitles the holder thereof to acquire one (1) class A share of the Corporation upon payment of an exercise price of \$0.75 per share, subject to the terms and conditions set out in the Corporation’s Stock Option Plan.

In addition, Jamie McIntyre, in his capacity as Interim President and Chief Executive Officer, was paid a discretionary bonus of \$25,000 in 2011 related to services performed by the executive officer to the Corporation in 2010, and an additional \$25,000 bonus in 2011 for agreeing to function in the additional role as the Corporation’s Interim President and Chief Executive Officer to April 15, 2011.

Save as noted above, no other performance based incentives were granted or awarded by the Board to any executive officer in their capacity as such.

The Corporation's executive compensation package includes various health, dental and life insurance benefits generally available to all employees of the Corporation and, pursuant to the terms of the MSA, such benefits were made available to Mr. Cruickshank, Mrs. Sherdahl, Mr. Rondeau and Mr. McIntyre.

## **2. Directors**

Directors do not currently receive a per diem or any other form of cash compensation for providing services as a director to the Corporation. Directors are, however, entitled to reimbursement of their out-of-pocket and travel expenses incurred in connection with the performance of their duties as directors of the Corporation. In the case of air travel, directors are reimbursed for the net value of the flight; in the case of vehicle travel, directors are reimbursed for mileage at a rate of Forty-Seven Cents (\$0.47) per kilometre.

In lieu of cash compensation, directors are entitled to receive stock options under the Corporation's Stock Option Plan at an exercise price determined and set by the Board each year (having regard to the value of such shares) and which are exercisable at any time within five (5) years of their date of issuance. The granting of options to the directors of the Corporation is completely discretionary by the Board and such form of compensation is intended to provide an appropriate long-term incentive to the directors to provide proper oversight to the Corporation with a view to maximizing shareholder value.

The Corporation's Stock Option Plan was adopted effective August 1, 2008, by the Board of Directors and approved by the shareholders of the Corporation at the Corporation's annual general meeting on June 26, 2009 and again on September 23, 2010. No amendments to the Stock Option Plan have been proposed nor adopted since September 23, 2010. The purpose of the Stock Option Plan is to attract, retain and motivate eligible participants, being directors, officers, employees and other service providers by providing them with the opportunity, through stock options, to acquire a proprietary interest in the Corporation and benefit from the growth of the Corporation.

During the financial year ended December 31, 2010, the Board resolved to issue a total of 400,000 stock options to certain directors of the Corporation as compensation for their service and contributions to the Corporation. Each of these stock options was granted for a life of five (5) years from the date of issuance, is subject to the terms and conditions of the Corporation's Stock Option Plan, and entitle the holder of such stock options to acquire one (1) common share in the capital stock of the Corporation on payment to the Corporation of the exercise price of \$0.75 per common share. These stock options were allocated as follows:

Alan Cruickshank, director	100,000 stock options
Jeff Scott, director	100,000 stock options
John King Burns, director	100,000 stock options*
Stephen P. Halabura, director	100,000 stock options

\* The options issued to Mr. Burns subsequently lapsed in accordance with the terms of the Corporation's Stock Option Plan.

The bylaws of the Corporation provide that the directors of the Corporation may, in their discretion, at any time fix the remuneration of the directors, officers and employees of the Corporation.

### **3. Indemnification of Directors and Officers**

The Corporation has entered into an Indemnity Agreement with each of its directors and officers, pursuant to which the Corporation agrees to indemnify or save harmless the officer or director from and against any claim, liability, loss, damage, cost, charge, expense, fine or penalty in relation to the Corporation. However, this indemnity does not extend to any claim, liability, loss, damage, cost, charge, expense, fine or penalty in which the officer or director is found to have acted in bad faith, unlawfully, with criminal intent, fraudulently or maliciously, or to any claim, liability, loss, damage, cost, charge, expense, fine or penalty for which the officer or director receives compensation pursuant to any valid and collectible policy of insurance.

### **4. Directors' and Officers' Liability Insurance**

The Corporation maintains directors and officer's liability insurance in the amount of \$2 million per occurrence for the benefit of its directors and officers against liability incurred by them in their capacity as directors and officers.

## **M. MANAGEMENT CONTRACTS**

Effective April 15, 2011, the employment contract with Jamie McIntyre and his appointment as Interim President and Chief Executive Officer as well as Chief Operating Officer expired in accordance with its terms. All management functions of the Corporation are, as and from April 16, 2011, currently performed by two directors of the Corporation.

Effective April 15, 2011, the Corporation entered into an Advisory Services Agreement with Jamie McIntyre, pursuant to which Mr. McIntyre will, on an as needed and non-exclusive basis, provide general advisory services to the Corporation at an hourly rate of \$150.00 per hour to a maximum of 50 hours per month average over the term, plus reimbursement of any out of pocket expenses incurred by Mr. McIntyre in performing such services. The initial term of the contract will expire on December 31, 2011, but may be renewed on a month to month basis thereafter by consent of the parties thereto. Mr. McIntyre's Agreement is terminable on 30 days notice by either party.

Similarly, effective September 1, 2010, the Corporation entered into an Advisory Services Agreement with Stephen Halabura, pursuant to which Mr. Halabura will, on an as needed and non-exclusive basis, provide general advisory and consultative services to the Corporation at an hourly rate of \$150.00 per hour to a maximum of 20 hours per month average over the term, plus reimbursement of any out of pocket expenses incurred by Mr. Halabura in performing such services. The initial term of the contract expired on December 31, 2010, and thereafter has been successively renewed on a month to month basis by consent of the parties thereto. Mr. Halabura's Agreement is terminable on 30 days notice by either party. The Corporation paid \$10,060 for the advisory services of Mr. Halabura during the year ending December 31, 2010.

## **N. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No director or executive officer of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any of them is or was indebted to the Corporation at any time since the beginning of the last completed financial year of the Corporation to and including the financial period ending December 31, 2010.

**O. INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS**

As noted above and in the notes to the audited financials of the Corporation for its financial year ending December 31, 2010, NuCoal has signed separate Advisory Services Agreements with two directors of the Corporation.

As well, for its financial year ending December 31, 2010, the Corporation received \$11,016 (2009 - \$nil) for sub-leasing certain of its office space to corporations in which a director of the Corporation was a director, officer or shareholder of the other corporations.

The above transactions are in the normal course of operations and are measured at the exchange amount and is the amount of consideration established and agreed to by the related parties. The above transactions are not considered material to the Corporation, but disclosure related thereto is being provided for additional clarity.

Other than as set forth in this Proxy Circular, management of the Corporation is not aware of any material interest, direct or indirect, of any insider of the Corporation, any proposed director of the Corporation, or any associate or affiliate of any informed person or proposed director, in any transaction since the commencement of the Corporation's most recently completed financial year, or in any proposed transaction which has materially affected or would materially affect the Corporation.

**IT IS AN OFFENCE FOR A PERSON TO MAKE A STATEMENT IN A DOCUMENT REQUIRED TO BE FILED OR FURNISHED UNDER THE ACT OR THE REGULATIONS THAT, AT THE TIME AND IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH IT IS MADE, IS A MISREPRESENTATION.**

**APPROVAL OF PROXY CIRCULAR**

The contents of this Proxy Circular and the sending thereof to the shareholders of the Corporation have been approved by the Board of Directors.

Dated at Saskatoon, Saskatchewan, this 26th day of April, 2011.

By Order of the Board of Directors of NuCoal  
Energy Corp.

  
\_\_\_\_\_  
**Stephen P. Halabura, P. Geo., F.E.C. (Hon.)**  
**Chairman of the Board**

# The Toms Plan

## Advanced to NuCoal Management by Perry E. Toms, BA. HBA

The information outlined below was provided and presented by Perry Toms to the Board of Directors of NuCoal. The following is a summary only of the full text of the plan presented by Perry Toms, which summary was condensed by NuCoal for the purpose of providing information to NuCoal's shareholders about this proposed plan in advance of NuCoal's Annual General Meeting. As the following is a summary only, it should be read in the context of the full plan. In the event of an error or omission in the following summary, the text of the full plan will have precedence. Mr. Toms has been invited to attend the Annual General Meeting to present his full plan to shareholders and answer any questions they may have.

**The Board of NuCoal has accepted and endorsed the plan being put forward by Perry Toms and recommends to shareholders that they also support this plan by voting their shares for the election of the nominee directors who intend, if elected at the Annual General Meeting of shareholders, to subsequently implement this plan.**

### *Forward Looking Statement Disclaimer:*

*This presentation contains certain forward-looking statements and, as such, are subject to certain risk factors associated with NuCoal's involvement in the natural resources industry. These forward-looking statements may include statements relating to plans to use NuCoal's assets; commercialization of those assets; combination of those assets with new or existing technology; construction costs, timing and anticipated production from proposed plants; fuel characteristics, benefits and uses; and the financial position of NuCoal. When used in this document, the words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project," "should" and similar expressions are intended to be among the statements that identify forward-looking statements. These kinds of statements involve risks and uncertainties. Actual results may not be consistent with these forward-looking statements.*

*Important factors that could cause actual results to differ from these forward-looking statements include the potential that debt or equity financing for anticipated or proposed plants, the schedule for development, construction and operation of proposed plants may not be met, commercial-scale plants do not achieve the same results as those demonstrated on a laboratory or pilot basis or that such plants experience technological and mechanical problems, the impact on plant economics of operating conditions (including raw material prices, tax credits and energy prices), construction risks, risks associated with investments and operations in foreign countries, dependence on strategic relationships with manufacturing and engineering companies, volatility of energy prices, mining conditions, actual demand, currency fluctuations, geotechnical factors, development progress, operating results, engineering estimates, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, approvals and cost estimates, the ability to implement corporate strategies, including the continued availability of adequate working capital, competition, intellectual property risks and other risks. All references to dollars, cents or \$ in this document are to Canadian currency, unless otherwise stated.*

### **INTRODUCTION**

An international consortium, led by Perry Toms (the "**Toms Plan**"), proposes to engage in the restructuring and refinancing of NuCoal by acquiring new equity to a majority position based on a post money Enterprise Valuation of \$5 - \$6 million with an initial new equity raise of circa \$3,000,000 from one or two parties.

Upon acceptance of this plan and the election of a new slate of directors at the company's upcoming Annual General Meeting, and under terms to be finalized by the new Board, Mr. Toms will become the new President and CEO of NuCoal.

Under the leadership of Perry Toms, NuCoal will refocus its principal business activities to: (a) the exploitation and monetization of the Company's lignite coal resources; (b) the identification of proven existing coal beneficiation technologies; and (c) the acquisition or new development of proprietary technology through strategic partnerships.

The company will focus on the development of a lignite coal mine or mines, and the conversion of lignite coal into high energy density products. The decision on which conversion products to focus on will be made on the basis of an in-depth analysis of markets, project economics, regulatory acceptability, technical viability, and coal resource evaluation.

These products may include dried and briquetted solid products, liquids, non-conventional crude oil and/or a series of high grade, clean coal or chemical products. Immediate attention will be given to proving the quality of the reserve information in order to move to a full mining license based on a beneficiation technology proven for the transformation of lignite to fungible energy commodity products.

In the longer term NuCoal will explore the acquisition of, license to, or development of a proprietary technology through strategic partnerships with local Universities and internationally recognized technology developers.

Certain technologies, using supercritical hydro-thermal processing, which are to be considered have the attributes of being able to convert a portion of the lignite into synthetic crude oils which have been proven to be able to be converted into transportation grade fuels such as diesel or even jet fuel (so-called 'drop-in' fuels). Further, other unique technologies could see NuCoal's lignite dewatered and reduced of its ash to produce a clean coal and used directly in an ultra-high efficiency (>45% thermal efficiency) electricity production process.

## **GOVERNANCE AND MANAGEMENT**

Mr. Toms is a seasoned executive within the conventional and renewable energy industries. Over the past decade Mr. Toms has taken two renewable energy companies public including the AIM-listed Novera Energy Ltd., where he held the position of executive director of business development (2000 to 2003), and the former ASX-listed ABG Biodiesel Limited, where he was president of the North American division (2004 to 2006). Since 2007 Mr. Toms has been leading financing and business development activities for the Australian Ignite Energy Resources – a lignite resource and technology development company.

Mr. Toms has consulted for Calgary's electric energy utility ENMAX Corporation as director of business development (2003 to 2004) as well as a number of small manufacturing and energy technology firms. From 1997 to 1999, Mr. Toms served as director of business development of Energy Developments Ltd. (Australia) and its then Brightstar Division where he developed biomass thermal gasification and waste biomass to energy projects. Prior to that, from 1990 to 1997, he held successive appointments with TransAlta Corporation. Over the course of his career, Mr. Toms has led the development of many infrastructure projects including the pre-Kyoto-referenced, joint implementation carbon offset projects in India, China, South America and carbon sequestration projects in North America.

To execute this plan, it is proposed that the entire Board of NuCoal Energy Corporation be replaced, except for Mr. Stephen P. Halabura, who will remain as a director to provide continuity over a transition period to be determined by Mr. Halabura and the new Board. Joining Steve Halabura will be a new slate of directors, chosen based on their knowledge and experience in finance, coal technology, project management and/or engineering, including:

**Adam Hedayat P.Eng** (President of Hampco Enterprises Ltd. – Calgary);

**James Stephenson Q.C. P.Eng.** (self-employed merchant banker – Toronto);

**James Lumley** (Financial Intermediary, new investor representative – London);

**Stephen P. Halabura P.Geo. F.E.C. (Hon.)** (NuCoal founder and Principal of HCF Mercantile in

Saskatchewan); and

**Perry Toms** (above)

Management appointments will be made to NuCoal over the course of the next three months:

**Perry Toms** (President and CEO)

TBA (Vice President Finance and Chief Financial Officer)

TBA (Chief Operating Officer)

TBA (Vice President Mining and Engineering)

**Steen Brummerstedt Iversen** (Chief Technical Officer – via contract to Steeper Energy Asp)

### **COAL RESOURCE PLANNING**

NuCoal will explore options and successfully execute a land/permit optimization strategy prior to the expiration of NuCoal's exploration permits that will ensure that NuCoal has sufficient coal resources to bring forward into a monetization transaction. It will then prepare and execute an exploration permit rationalization process to enable NuCoal to successfully convert a sufficient number of its coal permits to mining leases to ensure the company meets all regulatory requirements and secures its desired coal resources.

The company will also undertake a mining resource definition program that will identify the most prospective targets for further exploration in NuCoal's south 50 AOI. Following that it will plan and begin execution of a Phase 2 exploration drilling and resource delineation program that will deliver a threshold tonnage of 1 billion tonnes of "indicated" coal resource and publish a new 43-101

### **MARKETS/ECONOMICS AND TECHNOLOGY**

Based on Mr. Toms' direct experience in the development of Australian lignite deposits and anecdotal evidence from Indonesia and China, the most expedient opportunity to begin to monetize lignite from NuCoal's leased lands will be to dry, de-ash and compress (either pelletize or briquette) it into a marketable commodity with equivalent energy densities of bituminous or thermal coals.

Once commoditized, this coal can be sold into North American and international markets. The top-line economics is based on an as-mined cost for lignite of approximately \$7 - \$10/tonne with drying/briquetting costs ranging from \$35 - \$55/tonne. It is expected that the total operating costs at plant gate will come in at a median value of about \$53.50/tonne.

Current international trading prices for Thermal Coal range from \$80/tonne through to \$120/tonne (highly dependent upon finished calorific value). Allowing for transport and return on capital this represents an attractive, near to medium term opportunity as a first stage monetization plan.

In the longer term, a larger coal mining operation could support some of the emerging commercialized technologies for the transformation of lignite via hydro-thermal upgrading (HTU). This combination of coal drying and partial liquefaction allows for the production of an ultra-high energy density 'carbon' (selling for upwards of \$200/tonne in today's market) and synthetic crude oil on a one third dry weight basis. This synthetic crude oil is comparable with middle distillate, selling for over \$700/tonne. Based on public information from a HTU technology developer, selling the carbon from this process for approximately \$100/tonne and netting this value from the cost of production of both the 'carbon' and 'syncrude oil', the production cost of the syncrude would be under \$10/bbl(e), thus providing very compelling economic returns for such a project.

Under the Toms plan, NuCoal will explore the real project economics in several processes, engage technology partners for firm supply arrangements and confirm off-take customers for specific

energy or chemical commodities derived from lignite. The major commercially viable technological options, with attributes and drawbacks, are briefly outlined:

**Near-term project option:**

1. Coal Drying and Briquetting.

A variety of lignite coal drying and/or briquetting technologies exist or are under late commercialization development to transform lignite, via either or both decarboxylation (chemical) or dehydration (thermal). The mechanism of decarboxylation involves low activation energies and the reaction takes place under mild conditions. The resulting 'dry' and hence 'hydrophobic' upgraded lignite can be 'compressed' or 'extruded' into briquettes or pellets for transportation, transforming the heretofore non-fungible lignite into a tradable commodity. Research continues on meeting the challenges of creating a 'transportable' non-powdering briquette as this has often proven to be somewhat difficult.

**Medium-term options:**

2. Coal Water Slurry Fuels.

Coal water slurry fuels are fine coal particles suspended in water, typically 50-70 percent. A number of coal water slurry production technologies exist. Coal water slurry fuels can be processed directly from lignite including de-ashing and desulphurization steps or be produced by milling of briquettes. Coal water slurry fuel has the properties of fuel oil and thus can be pumped and safely transported. Coal water slurry fuels can be used as a heavy fuel oil substitute in existing boilers as evidenced by more than twenty power plants in China which are successfully using coal water slurries as their primary boiler feedstock. Using coal water slurry is also meeting with significant success in low speed diesel engine generators and this application is demonstrating potential for some of the highest thermal efficiencies of all conversion techniques.

3. Hydrothermal Upgrading to either Upgraded Coal with or without Liquids and/or Hydrogenation.

NuCoal believes that identifying or co-developing a hydrothermal lignite upgrading or conversion technology could represent a highly prospective opportunity compared to some of the other known high tech conversion technologies. It has been demonstrated that these technologies can produce upgraded coal as well as non-conventional crude oils, certain fractions of which may be suitable for hydro-processing to produce transportation fuels.

**Long-term options:**

4. Gasification of Coal.

Gasification of bituminous coal to produce synthesis gas followed by Fischer-Tropsche conversion to fuels was developed by Germany in World War II and further refined by Sasol in South Africa. The steps from synthesis gas to liquid fuels are very carbon intense and expensive, making it viable for only large-scale projects with Capex of \$5 Billion or more. North American, Chinese, Japanese and European-based companies currently offer commercial gasifiers that have been proven for use on high oxygenated feed-stocks such as lignite. However, once again these projects have to be of significant size and are highly dependent upon 'utility' quality off-take agreements and access to capital markets. Variations on this "gasification" theme include opportunities to convert lignite for the production of:

- a. synthesis gas for thermal applications and electrical generation;
- b. urea as a substitute for petroleum based fertilizers; and,
- c. chemicals, as a substitute for petroleum-based chemicals.

**FINANCING**

Project financing will be garnered via project technology partners, in the case of Chinese technology partners, or via specialized infrastructure funds and/or hedge funds. For instance, Mr.

Toms is currently completing the financing of a significant multi-billion tonne lignite coal project in Australia having identified an American specialty hedge fund and a European/Asian-based project developer and energy-trading partner to complete this financing transaction.

This financing plan aims to balance the needs of the company along with its critical stakeholders going forward, which include:

- the need to attract new equity into the company and treat new investors fairly;
- the need to ensure that the new management and board of NuCoal have the strongest possible mandate to proceed; and
- the need to deal fairly with existing shareholders that have shown confidence in NuCoal's vision and invested their money in the company.

To achieve this balance, sufficient new investment will be brought into the company at the right time, balancing the interests of existing investors with those with new money to invest. To attract new money and to build the operational mandate necessary to execute this plan successfully, major new investor(s) must receive a significant or controlling stake in the company. To ensure that existing investors are treated fairly, they will be provided with the opportunity to exit at a fair value along the way, or stay involved as the company evolves to take advantage of any upside potential.

Importantly, the initial capitalization raise of approximately \$2,750,000 will ensure the company has sufficient financing to carry forward with this proposed plan, as well as support a second tranche funding of circa \$25,000,000 to take the project to a full bankable feasibility study for both mine development and a coal beneficiation strategy.

Two financing partners have been identified for NuCoal's initial financing transaction and both have provided comfort letters outlining their interest in participating in this opportunity.

## **CAPITAL SHARE STRUCTURE**

Subject to full due diligence of NuCoal's assets by investors currently identified by Mr. Toms and subject to those investors satisfaction with said due diligence and at their sole discretion, it is proposed that this initial transaction result in the following share structure:

1. New investors will agree to a fixed valuation for the current assets of the company such that **new equity from these new investors of approximately \$2,750,000** will account for the majority interest in the company. Initial pro forma estimates (below) would for example, result in the **new investors holding 50.7% of NuCoal**;
2. **Within 14 days of reaching a definitive binding agreement between the parties**, NuCoal's current shareholders individually may elect to tender their shares for direct purchase by the new investment group at **\$0.25 up to a limit of 5,000,000 million shares or \$1,250,000** (scale back provisions will apply depending on the amount of shares offered for tender);
3. For those NuCoal investors that want to stay in, **they will have the opportunity to purchase additional shares @ \$0.25 through a private placement and in addition receive one warrant for each share purchased to be exercised within 24 months from the close of the new equity raise with an exercise price of \$0.35/share.**

	<b>Pre-Transaction Share Structure</b>	<b>Post-Transaction Share Structure</b>	<b>Shares Held by New Investor</b>
# number of shares	13.7 million	21.7 million <sup>(1)</sup>	11.0 million (50.7%) <sup>(2)</sup>

<sup>(1)</sup> including the 8,000,000 new issued shares

<sup>(2)</sup> 5,000,000 shares from existing shareholders under buyback, and 6,000,000 new issued shares

### Summary of initial financing:

1. New investor group purchases up to **5.0 million existing shares from shareholders @ \$0.25/share (\$1,250,000)**
  - a. Sufficient committed shareholders are identified to try and meet this target
  - b. Share buy-back issue will be prorated if subscriptions exceed 5.0 million shares
2. Board approves issuance of **8.0 million new shares from treasury @ \$0.25 (\$1,500,000)**
  - a. New investor group commits to purchase up to 6.0 million of new treasury shares
  - b. Remaining 2.0 million shares are made available through private placement to existing shareholders or new ones. **(\$500,000)**
3. Board approves granting of 1 warrant for each new share issued, exercisable @\$ 0.35 two years from date of issuance.

Total investment by new investor	\$2,750,000.00
Money raised through private placement	\$ 500,000.00
Current cash balance in NuCoal	<u>\$1,100,000.00</u>
Total cash	\$4,350,000.00
Minus cash for share buyback	<u>(\$1,250,000.00)</u>
<b>Remaining cash to execute go-forward strategy</b>	<b>\$3,100,000.00</b>

<b>Use of Funds</b>	<b>Estimated Expenditure</b>
Restructure NuCoal (Share buyback)	\$1.25 million
Plan and execute drilling program to confirm reserves and update 43-101	\$1.4 million
Preliminary Technology Assessment	\$0.25 million
Additional Working capital	\$0.20 million
<b>Total Use of Funds</b>	<b>\$3.1 million</b>

### PROJECT MANAGEMENT

As president and CEO of the reorganized company, Mr. Toms will lead NuCoal in its achievement of the following objectives:

1. Identify and appoint key management and operating team to execute the business plan;
2. Identify and recommend key new Board members for NuCoal who will positively contribute to the governance and leadership in order to execute the business plan including the identification of salient Joint Venture partners;
3. Undertake all pre-development activities on the South 50 deposit to prepare for an application for a Mining License as a matter of priority. These activities will include the development of an indicative mining plan, assuming the most optimized development of the entire target area. They will also include as appropriate, the necessary community consultations, environmental impact assessments and archaeological studies as prescribed by the Province of Saskatchewan, as well as a review of Aboriginal interests in and potential opportunities related to the target resources and surrounding lands;
  - a. Evaluate the option of additional exploration to define a NI 43-101 compliant lignite resource in the target deposits; determine infrastructure feasibility including set aside land for coal upgrading and transportation and/or export infrastructure; apply for

- mining lease/s; develop a commercially viable lignite mine/s;
- b. Review a series of coal beneficiation technologies and Joint Venture Partners, via an outsourcing agreement with Steeper Energy as NuCoal's technology assessment and development arm (Steeper Energy is a Copenhagen-based lignite and biomass to energy expert consultancy).

### **STRATEGIC RELATIONSHIPS**

Strategic relationships already established with existing Saskatchewan coal mining companies will be pursued and fleshed out.

Mr. Toms is currently working on lignite beneficiation projects in Australia, Africa, SE Asia and the relationships established in these jurisdictions will be extended to offer participation opportunities in NuCoal's developments.

Discussions are ongoing and will be undertaken specifically with respect to NuCoal projects with a variety of Chinese, Indian and SE Asia energy companies including China's Shenhua Group.

**Plan B: The Burns Plan**  
**Advanced to NuCoal Management by John King Burns**  
**Mining Stranded Coals to Produce Liquid Fuels and Chemicals in**  
**Saskatchewan's South 50**

Carbon Fuels and Chemicals Corp. "CFCC" (aka NuCoal Energy Corp.)

The information outlined below was provided by John King Burns to the Board of Directors of NuCoal. It has been condensed by NuCoal for the purpose of providing information to NuCoal's shareholders about Mr. Burns' proposed plan in advance of NuCoal's Annual General Meeting.

In the event of an error or omission in the following summary, the text of the full plan, as presented by Mr. Burns, will have precedence over the information contained in this summary. Mr. Burns has been invited to attend the Annual General Meeting to present his full plan to shareholders and answer any questions they may have.

**Changes:**

- New Board and Management Team for NuCoal Energy Corp.
- NuCoal will be renamed Carbon Fuels and Chemicals Corp.
- Present NuCoal Shareholders
  - Will be issued preferred shares and warrants in exchange for common
    - Warrants protect present shareholders from dilution as Company is recapitalized

**Existing Shareholders**

- Can sell shares to newly managed Company post funding event.
- Can take back preferred shares in newly branded company.
- Can exchange preferred shares for warrants (dilution management warrants).
- Can have same rights as all other parties to participate in additional financings.

**Adding Management, Capital and Stakeholders**

The South 50 Polyfuels CTL Project:

- Demands senior, experienced coal and chemicals major project management team.
- Requires adequate initial capitalization (\$25 Million) to advance. (This is not a project for a junior mining company).
- The combination of management and capital will allow CFCC to attract the necessary strategic partners and stakeholders.

**CFCC Exploits**

- Expandable existing coal mining operations;
- Brownfield sites for plant development;
- Rapid permitting processes;
- Existing infrastructure, start up power and pipelines;
- Direct access to US gasoline and chemical markets; and
- Modular plant design.

**CFCC Management**

- Experienced "Been There Done That" Management & Board.
  - Has financed, built and operated major coal and mining projects

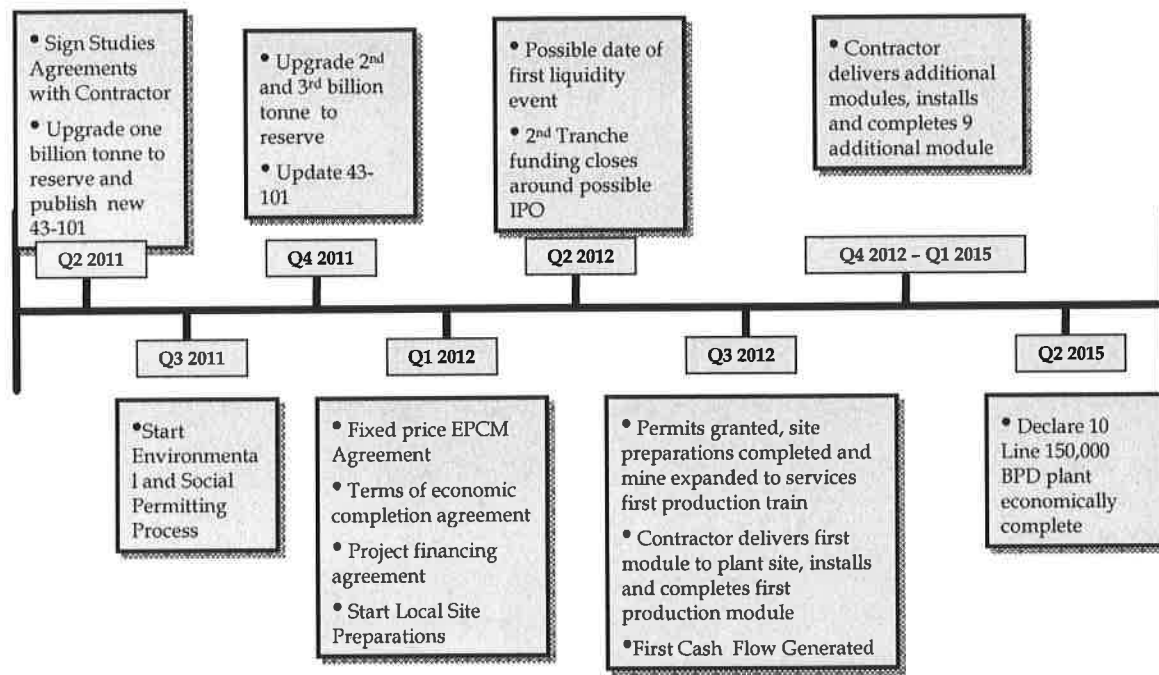
- o major company, project management, engineering and construction credentials
- o extensive access to the global equity and debt capital markets
  - C\$ 25 million bought deal arranged
  - Subject to re-confirmation of original poly fuels development plan
  - Will apply to list on the TSX after re-confirmation of poly fuels development plan

**The Capital Uses of Phase 1 (Q2 2011- Q3 2012)**

<u>Description</u>	<u>Amount</u>
Updated CTL project scoping study, coal permit review, republication of 43-101	500,000
Process technology scoping, selection, engineering , review and licensing negotiations	750,000
Fee to modular plant EPCM contractor for modular plant pre-feed and feasibility studies	5,000,000
Brownfield plant and mining site logistics and optimization study	500,000
Environmental pre scoping on selected sites	300,000
Site specific engineering scoping study (e.g. product pipeline connections, water)	500,000
Confirmation Drilling and Permit Maintenance Budget	5,000,000
Legal, contract administration and accounting	1,500,000
Geologist staff, engineering staff and related consultants	1,960,000
Corporate and administrative	2,000,000
<b>Sub-Total</b>	<b><u>\$18,510,000</u></b>
Contingency +/- 20%	<u>3,700,000</u>
<b>Phase 1 Total</b>	<b><u>\$22,210,000</u></b>

## The Modular Polyfuels Timeline

### Management



Management shall consist of:

- George Heard, P.E. Director Coal Operations;
- John Rogers, P.E. COO Chemicals and Fuels;
- Shane Shircliff, CFO/Finance Director (Nominated); and
- John King Burns, Corporate CEO.

The new Big Project Board shall be:

- George Heard (Vancouver, B.C.);
- John K. Burns (Philadelphia, Pa);
- Don Gillen (Saskatoon, Saskatchewan);
- John Rogers (Geneva, Switzerland); and
- Peter Espig (Vancouver, B.C).

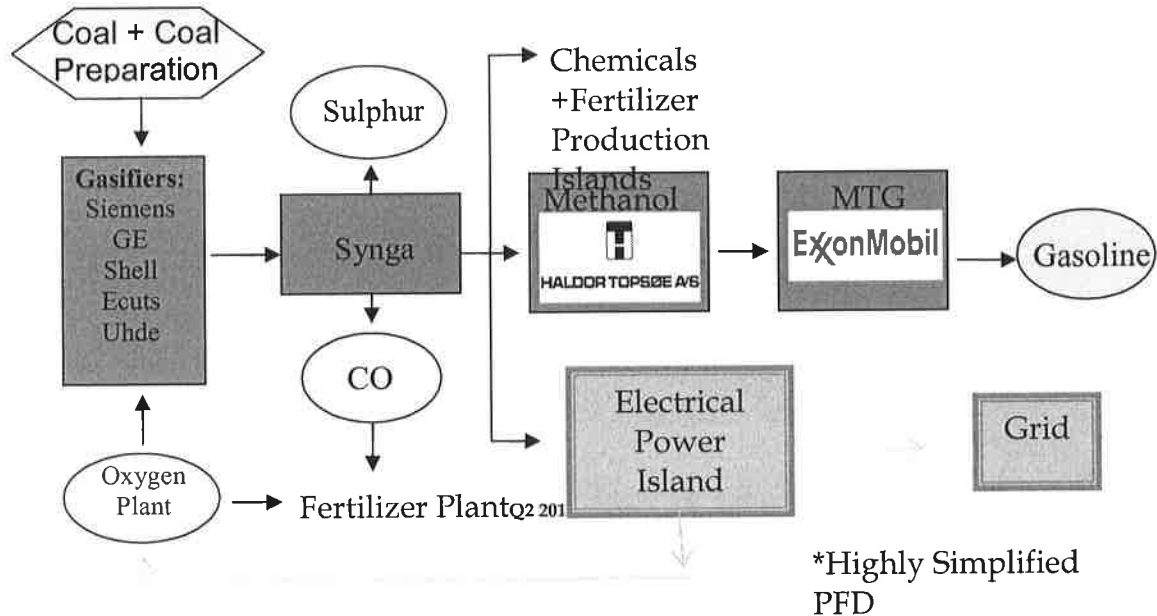
### Employment and Community Impact

- Up to 1500 or more tradesmen and skilled workers involved in construction period (Chinese Partners/Contractors will supply some of the skilled workers).
- Up to 300 or more full time employees to operate fully configured plant and coal mine.
- Major opportunity and commitment to consult with, train and employ first nations.

### Classification Optimizes Use of Stranded Coal

- Gasification is the process of producing CO gas and hydrogen (Syngas) from coal (the carbon source). It is produced without combustion, in an enclosed pressurized system (pyrolysis)
- Cleanest Use of Coal. No deleterious air or water emissions.
- Carbon Dioxide is fully managed, captured for Enhanced Oil Recovery (EOR) and other applications (e.g. diatomic feed and oxygen production) or sequestered.
- No tailing ponds or waste dumps. Solid waste material is inert, suitable for aggregate or mine fill.

## Coal to Fuels Process



### Uses Demonstrated Process Technologies

- Gasification technology is over a century old in application.
- Advanced Gasification Technologies are becoming less expensive to buy, more efficient and robust to operate.
- We are building a chemical plant not a science or R&D project.

### Polyfuels Plant

The modular Plant can produce multiple products.

- Plants are designed to fully capture and use CO<sub>2</sub>:
  - EOR
  - Geological Sequestration
  - Diatomic Digestion, Tank Based Algae Production
- Plants are built in modular sections and produce:
  - Transportation fuels (Gasoline )
  - Chemicals (Hydrogen, Methanol , Butanol as feedstocks for other chemicals)
  - Fertilizer (Urea )
  - Hydrogen, Steam & Electrical power

## Pro Forma for Annual Economics for One Module

<b>1 Module /15,000 BPD /10000 Tonnes of Coal PD</b>	<b>US \$ million</b>
CAPEX*	1,175
Gross Revenue ( at 70 \$ WTI Index) ( 100% of available Syngas used to produce fuel)	444
Cost including capitalization, operations and materials	225
Operating Profit	217
Interest Expense	35
Profit before tax	182

**At a 10 x PE based on modeled EBITDA that would give this GCCC project a \$ 2.17 Billion Market Cap**

### Modular Development Plan

- Each module will be installed and brought on line in series producing early cash flow.
- Full production of 150,000 BPD/110,000 tonnes of coal pd ( 10 Modules).
- Full plant and mine development costs \$ 11.75 Billion (est.) (1.17 Billion per module).
  - all facilities inside the fence;
  - at North American construction costs;
  - if major components are fabricated overseas costs are estimated to be up to 25 - 30% lower.

### Projected Daily Inputs for One Module

One Modular Unit producing 15,000 PBD of Gasoline and Equivalents requires the following daily inputs:

- 11,986 Tonnes of raw Lignite Coal;
- 6,635 Tonnes of prepared Coal as feed stock for Gasification;
- 135 MW of power consumed;
- All power self generated from Coal and Syngas IGCC;
- 6,130 Tonnes of Oxygen (major use of power); and
- 1 Million gallons of Water.

### Investment Highlights

- Multi-billion tonne mineable coal deposit. 100+ years mine life, very low mining costs, no geological risk.
- PolyProduct Plant uses proven and fully demonstrated process technologies with minimal emissions. Minimal Environmental Impact, No risk to Process Technology.
- Know Canadian contractor as owners, engineer, project manager and as lead EPCM contractor.
- Project Debt Financing: advance rate >80% arranged through multilateral lenders on top of completion guarantee.
- Produce 150,000 BPD of Gasoline for 50+ years (no decline curve) at a fully loaded cost of 50.00 per barrel (est).
- All numbers +/- 25% with capacity utilization at 90%.

## Summary

- Stranded coals in Saskatchewan becomes a valuable source of feedstock for Coal to Liquid Fuels (CTL) plants.
  - One of the largest feedstock sources for the production of transportation fuels and chemicals in United States.
  - Very low mining costs.
- Working with large global stakeholders (Sinopec, CNOOC, SHENUA, UHDE, SIEMENS).
  - China has built the largest coal chemical plants in the world. It has the most direct experience in design and construction of CTL plants. (6 new plants completed in China in last 3 years).
- 100% of Revenues come from the sale of liquid fuels (gasoline) and by- product chemicals into the north American market.
  - "Selling Wheat for the price of "Wheaties".