

## **NuCoal Shareholder Update**

I am pleased to be circulating this update on behalf of the Board of Directors of NuCoal Energy Corporation.

### **NuCoal Board Meeting – 20 May, 2011:**

The strategic advisor to NuCoal, Pope & Company Limited of Toronto, assisted in identifying strategic options for shareholder consideration. Of the two plans presented at the shareholder meeting of 20 May, 2011, the “Burns Plan” was supported and the Plan’s proposed slate of directors was elected.

The new direction of NuCoal is as outlined in the documentation prepared for the 20 May, 2011 shareholder meeting.

The proposed Company name change to Carbon Fuels and Chemicals Corp. requires a shareholder meeting and will be held over until that time.

To date, the new directors and management have been active on a number of fronts concerning the Company’s permit status and resource statement, mentioned previously, managing administrative matters and planning the update and validation of its approach to the South 50 Polyfuels CTL project.

NuCoal has approximately \$0.9 million in cash remaining. Expenses are well controlled and no major administrative cost items are foreseen in the near future. However, the short term capital raising will initially be applied for updating the project scoping study, including a validation of the CTL engineering process flows, and an overall permit review in the context of the updated 43 101 report to be made available by SRK.

### **Directors:**

The group of directors now installed with NuCoal Energy following the May 20<sup>th</sup>, 2011 shareholder meeting, provide a depth of experience in the financial and resources sectors both in Canada and internationally. Profiles of the directors are shown as follows:

#### **John king Burns - Chairman**

Mr. Burns has extensive experience in the global resource sector. He is a former VP and CFO of the Drexel Burnham Lambert Commodity Group in New York, London and Chicago, a former MD and Global Head of the Derivative Trading and Finance Group of Barclays Metals Group, Barclays Bank PLC in London and a former MD and 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 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., MBA**

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 & 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 the profit management of large, multi-million dollar business units with multinational companies on a global basis. His management roles have covered a variety of needs from business start-up, to strategic planning, multi product business development, marketing management and company restructuring.

Mr. Rogers has spent much of his business career with the SGS Group, (Société Générale de Surveillance) in a number of international locations including Canada. He has also been employed by BHP, Rio (CRA), Tatis S.A. and Cotecna Inspection S.A.

Mr. Rogers has a degree in Chemical Engineering from the University of New South Wales (Newcastle) (BHP prize in Chemical Engineering), BA studies (Economics) University of Melbourne 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 VP 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 VP 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 BA from the University of British Columbia and in 2003, 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 Doddsland 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 sector to acquire and build the assets of each company, eventually selling them to Arch 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 to 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 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.

### **Corporate Counsel:**

Nucoal Energy Corp. is pleased to announce the designation of Robertson Stromberg Pedersen LLP as corporate counsel and registered office for the Corporation, as well as transfer agent for all classes of Nucoal Energy Corp. shares. Robertson Stromberg Pedersen LLP is one of Saskatchewan's oldest law firms, with a reputation for efficient, client-focused legal services. The firm may be contacted at:

Robertson Stromberg Pedersen LLP  
600-105 21st Street East  
Saskatoon, SK S7K 0B3  
Facsimile: (306) 652-2445

Telephone inquiries may be directed to Leslie W. Prosser, Q.C. at (306) 933-1302 or Candice D. Grant at (306) 933-1304.

### **NuCoal Business Background:**

NuCoal was founded largely to secure permits to a significant well known lignitic coal resource in southern Saskatchewan. This lignitic coal was known to have the potential to be the feed stock for a coal to liquids fuels process that would allow for the monetization of the coals. .

A general 43-101 technical report was prepared by SRK, following a 90 hole drill program in late 2009. This report estimates the presence of 248 million tonnes of inferred lignite coal resources of immediate interest and 1.215 billion tonnes of inferred lignite coal resources of future interest. This resource is contained in 122 permits comprising "Focus Area A". Focus Area A was not defined by the previous management of the company with any strategic purpose.

The company also has an additional 1,578 exploration permits within the "South 50" permit block and 850 exploration permits located in central Saskatchewan. After wasting a two year holiday on annual permit rentals granted by the Province, post the 2009 financial market collapse, the Company is faced with major decisions and expense related to maintaining the entire permit portfolio, if the current work with SRK indicates it is prudent to do so.

### **Current Situation:**

NuCoal faces significant future financial expenditure obligations to service the existing coal permits. Under Saskatchewan regulation, permit holders are required to undertake exploration work equivalent to \$40,000 on each permit within a 3-year term. The completion of this qualifying work entitles the permit holder to apply to convert permits to mining leases, which would give the leaseholder the right to explore for and mine the coal.

The Company has only completed sufficient qualifying work to convert about 90 of our existing permits to mining leases. Given that NuCoal's existing permits start to expire in June of 2011 and are substantially expired by April, 2012, a dedicated effort will be needed in the coming few months, to define the resource we wish to carry forward and secure the necessary mining leases.

In the immediate term, we have a block of 278 permits representing 196,464 hectares that will roll over to the third year of the 3-year term at a cost of \$196,464.00. We have examined the location of the subject leases and find them of minor value to NuCoal's focused interests and have chosen to relinquish them rather than incur cost.

Decisions will be taken with respect to further blocks of permits having their anniversary dates in September and October 2011 and before the expiry of the first acquired permits commences in November 2011. All of the permits are being reviewed at this time in the context of overall project planning. (Discussed further below)

North Rim has recently prepared additional permit maps around the existing mining operations in the South 50 area that will assist SRK to update their earlier 43 101 report. We wish to clearly define an economic "indicated" resource of approximately 1 billion tonnes of lignite coal suitable for the proposed Coal to Liquids (CTL) operation and to serve as a basis for attracting stakeholder and partner interest moving forward.

### **Business Planning:**

The Board of NuCoal has a clear vision of its business planning as outlined in the overview provided in the "Burns Plan" at the 20<sup>th</sup> May 2011 board meeting. More detailed short term planning will be articulated in future shareholder updates. On May 20<sup>th</sup>, we commenced a scoping exercise to review and update all technical, legal and financial aspects of Coal to Liquids Fuels development plan. NuCoal in its history never spent any funds to conduct any engineering studies and/or scoping studies related to the coal to liquids fuel development plan, logistical studies and engineering studies where proposed but never commissioned and/or completed. This work all has to be done now. The present scoping exercise involves SRK, Northrim, and a number of our targeted strategic partners and is scheduled to be completed in August of 2011.

The specific strategies espoused in the "Burns Plan" are being followed in the new environment under the pressure created by the permit expiration schedule. The former board and management wasted what was a two year holiday.

The Company's strategic aim now is to arrange the planning and building in stages of a modular coal to liquids fuel plant in the South 50 AOI. This is the only development path that can create significant value for shareholders given the characteristics of the coal that the company now controls. This path requires that the present board and management team successfully, and in

the short term, re-develop and/or repair a number of key relationships with existing and prospective business associates and strategic partners, provincially, nationally and globally where these relationships were abandoned and/or ignored by the former management.

Future Financings: Subject to the results of the scoping study and the reconfirmation of the feasibility of the execution of the Coal to Liquids Fuel plan, the Company has received offers of funding from a number of sources. These include a “bought deal” and a public offering sponsored by Mackie Research Capital and the potential of Private Equity Funding from a number of private equity firms. The private equity firms indicate that they would want the Company to stay private through the project development period. On the present schedule, the Company will make a decision and mandate one group or the other to close a funding in the 4Qtr of 2011. The amount of capital on offer in both cases would provide the Company with the funds to enter into contracts with key strategic partners and to complete a final feasibility on the Coal to Liquids fuel project sufficient in completeness and detail to attract debt project financing.

The Board will ensure that NuCoal’s shareholders are kept informed and given the opportunity to participate in decisions that affect their interests in the Company.

**Saskatoon, July 7, 2011**

**John King Burns, Chairman.**