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April 25, 2012

Ministry of Economic Development
Mother Tereza Str, no.36
10000 Pristina, R. Kosovo

Attention: Minister Besim Beqaj

Re: Envidity Energy Kosova LLC "Application for an Exploration Licence" and Proposal to Explore for and Develop Underground Coal Gas (UCG) and Gas to Liquids (GTL) Processes within the Republic of Kosovo

Dear Minister Beqaj:

Envidity Energy Kosova LLC is pleased to present this Application for an Exploration Licence and its proposal to explore for deep coal resources which are unknown and not currently included in Kosovo's inventory of mineral resources or reserves.

After granting of the Exploration Licence, we propose to employ advanced drilling and seismic technologies to determine what new, deep coal resources may exist in the Dukagjini Basin area of Kosovo. Our exploration will be conducted outside of the areas currently identified as suitable for surface coal mining techniques. Furthermore, this exploration may also prove up additional surface minable resources which we will relinquish to the Government.

Our proposed work program will be conducted in stages that include: a feasibility study, a demonstration plant and a full commercial facility. Kindly note, in the event that we do not discover deep coal seams in the Dukagjini basin that fulfil our UCG requirements, then Envidity will begin exploring the South Kosova Basin area to determine the viability in this area. Given that the resource industry always has risk, it should also be pointed out, that if no significant deep coal deposits are discovered in the Dukagjini or South Kosova Basin coal basins, then Envidity will more than likely end the exploration program in Kosovo and turn over all of the information gathered to date to the Government of Kosovo. We hope this is not the case.

However, if as we suspect, significant deep coal deposits can be proved up in both the Dukagjini and South Kosova basin areas, then Envidity proposes to proceed with a significant expansion and development of this untapped resource, first in the Dukagjini Basin and later in the South Kosova Basin areas.

This expansion will entail drilling many more wells and acquiring 3D seismic to more rigorously map the new, currently unknown coal deposits which we think lay at great depth below both of these basin areas. This data will then be used as inputs into a computer model (a 3D geocellular model) that will enable us to run simulations in a dynamic model, i.e. we can simulate UCG reactor production and gas compositions prior to drilling any wells. This phase will also include a demonstration plant that will be designed to produce 1500 barrels per day (bpd) (238,500 litres per day) of synthetic fuel (diesel and naphtha) from these newly discovered coal resources using a process call "Fischer-Tropsch". This process is not new and is in commercial use in many countries in the world today,

having been developed by the Germans in the early 1900s and then refined by Sasol in the 1950s (Note: Sasol currently produces 160,000 barrels per day of synthetic fuel in South Africa, is involved in an 80,000 barrel per day plant in China and is conducting feasibility studies to build 50,000 to 90,000 barrel per day facilities in both Louisiana and Alberta). Also note large scale commercial UCG projects (up to USD 1.5 billion and 1000 MWe) are also underway in China and Canada. Plus China (ENN Group affiliated with Duke Energy) now has two commercial UCG to Methanol plants.

Upon the successful completion of the 1500 bpd demonstration plant, Envidity will quickly move to ramp-up production to 15,000 bpd (2,385,000 litres per day) and then on upwards towards a goal of 100,000 bpd (15,900,000 litres per day). In addition to clean fuel (zero sulphur, low particulates, high cetane and biodegradable), the process generates significant quantities of naphtha which is the feedstock to produce plastics (a secondary petrochemical business that can be created from our operation). This poly-generational process can also be used to produce ammonia for fertilizer feedstock and heat, light, water and CO₂ to enhance a greenhouse industry.

Finally, the process also produces clean power from a co-generation, combined cycle power plant (Note: rates can be tailored to meet domestic or export requirements and this will not compete, or be in conflict, with the proposed Kosovo e Re power plant). Furthermore, in the event, that we elect to produce large amounts of power, Envidity will secure its own Power Purchase Agreements (PPA).

This advanced coal technology process is also very clean and the produced greenhouse gases (CO₂) will be sequestered within a suitable, deep stratum in the earth, thus allowing Kosovo to meet the EU 20-20-20 carbon capture targets as well as the EU Climate Action Roadmap 2050 guidelines.

Our initial investment to establish 1500 bpd is approximately USD 130 million (EUR 100 million) and the full commercial facility requires USD 1 billion (EUR 760 million) of foreign direct investment (FDI) in Kosovo. Expansion to 100,000 bpd could result in an additional USD 6 to 7 billion of FDI.

The fiscal terms that we are proposing will ultimately result in the Republic of Kosovo receiving approximately 30% of the revenue from the project from a combination of taxes and royalties on the liquid products (Note: this potentially equates to EUR 300 million per year which is 1/5 of the current government revenue).

Kindly note, the Government has no financial risk, as Envidity will invest its own private equity capital in this strategic project; a project that has the ability to provide Kosovo with transportation fuel self-sufficiency within 6-7 years. In addition, Envidity assumes all technical and environmental risk. Furthermore, besides exclusivity on the unknown deep coal resources (a resource that is not currently included in the Kosovo inventory of mineral resources or reserves), the only concession that we are asking from the government of Kosovo is for a lower government take in the pre-payout period, which is the same rate as the current coal royalty in the Law on Mines and Minerals. *Note: this sliding scale fiscal model is the same model that has been successfully deployed in Canada and the USA, i.e. these countries have developed ways to incentivize the new energy sources found in shale gas, shale oil, oil sands, tight gas reservoirs and deep water offshore resources.*

Summary of Project Benefits:

- **Transportation Fuels** - Self-sufficiency in diesel/aviation fuel could be realized within 6-7 years.
- **Export Potential** - Upon startup of the full commercial facility, the Republic of Kosovo will have the ability to export substantial quantities of synthetic diesel fuel (biodegradable) that exceeds EU standards.
- **Electricity** - The project will generate significant amounts of clean electricity (carbon capture part of the process) that will enable Kosovo to meet and exceed not only the EU 20-20-20

targets, but go a long ways towards fulfilling the EU Climate Action Roadmap 2050 targets, e.g. a 15,000 barrel per day synthetic fuel plant can produce 270 – 1,100 MW of electricity.

- **Price** - The electricity generated can be sold to the local market at or near the same price currently paid for conventional coal-fired electrical plants.
- **Polygenerational** - The process can also generate fertilizer feedstock and other products (Naphtha, Olefins and polyurethane) which will have a significant impact on the local economy.
- **Impact on GDP** - The project will have a significant impact on the local economy and GDP. Investment for a 15,000 barrel per day plant equates to EUR 1 billion Foreign Direct Investment (FDI) in Kosovo.
- **Government Revenue** – The project will provide the government with a stable and secure source of long term revenue (multi-decade revenue).
- **Multiplier** - Traditional economics suggest that a EUR 1 investment could yield a multiple of EUR 3 in direct and induced benefits.
- **Job Creation** - This project will create thousands of local jobs during the engineering and construction phase and hundreds of permanent jobs once the plant is operational.
- **Technology Transfer** - This project will facilitate the transfer of North American technology and business practices to Kosovo and elevate the skill level of the local work force.

Consequently, Envidity would like to work with the Government of Kosovo to secure an Exploration Licence as soon as possible so that we can begin the drilling program early this summer. In order to formalize the request, we have included with this letter, an Application for an Exploration License.

In conclusion, we at Envidity are very excited about this project and look forward to a long and mutually fruitful relationship with the Government and people of Kosovo.

Thank you.

Yours very truly,

Jeff Brookman, CEO

Cc: Ahmet Tmava, Chairman of the Governing Board, ICMM, Republic of Kosovo
General Wesley Clark, Chairman Envidity Energy Inc

Attachments:

1. Application for An Exploration Licence – Republic of Kosovo – Independent Commission for Mines and Minerals
2. Envidity Energy Kosova LLC Proposal for Project Work Program, Fiscal Terms and Contract Terms (UCG Agreement)
3. Envidity Energy Inc presentation on underground coal gas and gas to liquids potential in Kosovo
4. Declaration of Address, Significant Shareholders and Directors of Envidity Energy Kosova LLC
5. Certificate of Applicant Eligibility – Section Six – Kosovo Law on Mines and Minerals 2010

The curriculum vitae of Envidity Energy Kosova LLC personnel as well as more information on the company, underground coal gas and gas to liquids processes may be found on our website at: www.envidityenergy.com