

Ms M Kelly

By email: melkelly60@yahoo.com

Our ref: CEA AP ST
43552 0008 3972263

Your ref:

Dear Madam

8 May 2014

Five-Quarter Energy Holdings Limited (Five Quarter)

We are instructed by Five-Quarter Energy Holdings Limited (Five-Quarter).

We have been shown copies of your emails dated 23, 24 and 27 March and 14 April 2014 sent to a number of councillors and MPs in the North East region. These emails attach your report entitled "Theft of Austerity Britain's Coal" (**Report**). The emails and the Report are misleading and contain a number of untrue and potentially defamatory statements about Five-Quarter and its directors. Whilst we do not consider it appropriate to address each individual inaccuracy we have set out below those which are particularly serious.

First, you suggest that Five-Quarter has in some way "paid off" and bought the "*silence of independent academic experts*" in the area of Underground Coal Gasification (**UCG**) for its financial benefit. These statements are untrue. Five-Quarter has not paid off any experts in this area.

Secondly, your implication that Five-Quarter is motivated by financial profit and financial greed is untrue. Five-Quarter is committed to preserving existing jobs, skills and companies within the North East and intends to create a number of new job roles for those in the region. The long stated commitment Five-Quarter to establish a charitable trust to invest a portion of future profits into local community organisations, with particular focus upon the former coal mining industries illustrates this dedication to the region.

Thirdly, you state that Five-Quarter has "*absolutely no experience using unproven UCG technologies*". As stated above, as the co-founders of Five-Quarter are professors, they are all well qualified and pre-eminent in both academic and industrial fields relevant to Five-Quarter's activities, especially in environmental management. Details of some of these qualifications and experience can be found on Five-Quarter's website. Five-Quarter not only has a high calibre of employees but has also consulted and collaborated with other higher calibre organisations which are part of the Five-Quarter team. This team is highly qualified and dedicated to achieving an extraordinarily difficult task of creating a new industry for the long term benefit to all. Five-Quarter is at the forefront of carbon capture and management on a global basis and is to become one of the first companies of its kind anywhere in the world to carry out carbon capture on an industrial scale.

Five-Quarter denies that UCG activities are as dangerous as you imply. The UCG industry, like all natural resource related industries, faces risks and challenges. There have been hundreds of trials of UCG worldwide which have been completed successfully, without any safety concerns. The risks you have highlighted are isolated incidences and do not involve Five-Quarter. Building on this success, Five-Quarter has developed more advanced processes including those associated with environmental management.

The allegations you have made, including those referred to above are untrue and are likely to cause serious harm to the reputation of Five-Quarter. Given that you have published such allegations to councillors and MPs it is likely that Five-Quarter will suffer serious financial loss as a result. As a result our client will have a claim in

defamation against you. In addition, if (as we suspect) you were aware that the statements you have made are untrue, Five-Quarter may also have a claim for malicious falsehood.

In order to prevent proceedings being issued against you, Five-Quarter requires confirmation within 48 hours of receipt of this letter that you will:

1. cease and desist from publishing the emails, the Report or their contents or assisting other in such distribution;
2. remove any reference to the emails or Report from any other publications; and
3. provide confirmation of the identity, and contact details of all recipients of the emails, Report or their contents.

If this confirmation is not received, our client reserves the right to issue proceedings against you seeking relief for defamation and/or malicious falsehood. If proceedings become necessary (which may be issued and served without further notice to you), the remedies that may be available to our client include an injunction restraining further publication of such statements and payment of damages. For the avoidance of doubt such our client would also be seeking to recover legal costs and interest. Such costs could be substantial. In the meantime, our client reserves all its rights in this matter.

This is a complex area of law and we strongly recommend that you seek independent legal advice immediately.

We expect to hear from you by 10 May 2014.

Yours faithfully

Muckle LLP

