



## **CIC ENERGY CORP.**

**Unaudited Consolidated Financial Statements  
expressed in Canadian Dollars  
for the three and six months ended May 31, 2007 and 2006**

These unaudited financial statements of CIC Energy Corp (“the Company”) have not been reviewed by the auditors of the Company. This notice is being provided in accordance with section 4.3(3)(a) of National Instrument 51-102 Continuous Disclosure Obligations.

CIC Energy Corp.  
(formerly Coal Investment Corp.)  
Consolidated Balance Sheets

	<u>Note</u>	<u>May, 31</u> <u>2007</u> <u>Unaudited</u>	November, 30 <u>2006</u> <u>Audited</u>
<b>Assets</b>			
Current assets:			
Cash		\$ 54,351,329	\$ 27,910,965
Other receivables		588,601	296,087
Prepayments		<u>280,353</u>	<u>218,101</u>
		<b>55,220,283</b>	28,425,153
Non-current assets			
Property and equipment	4	401,595	225,264
Goodwill	7(a)(v)	2,437,525	–
Mineral Assets	5	3,131,931	3,131,931
Exploration properties	6	<u>61,880,829</u>	<u>48,103,307</u>
		<b><u>\$ 123,072,163</u></b>	<b><u>\$ 79,885,655</u></b>
<b>Liabilities and shareholders' equity</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 2,786,149	\$ 3,498,367
<b>Shareholders' equity</b>			
	7	<u>120,286,014</u>	<u>76,387,288</u>
		<b><u>\$ 123,072,163</u></b>	<b><u>\$ 79,885,655</u></b>
Commitments	12		

See accompanying notes to the consolidated financial statements.

CIC Energy Corp.  
(formerly Coal Investment Corp.)  
Consolidated Statements of Operations

	Note	Three months ended		Six months ended	
		May, 31 2007 Unaudited	May, 31 2006 Unaudited	May, 31 2007 Unaudited	May, 31 2006 Unaudited
<b>Other income</b>					
Interest received		\$ 383,892	\$ 6,234	\$ 621,262	\$ 18,397
Profit / (loss) on foreign exchange		(173,736)	(12,301)	600,611	109,347
		<u>\$ 210,156</u>	<u>\$ (6,067)</u>	<u>\$ 1,221,873</u>	<u>\$ 127,744</u>
<b>Corporate and exploration expenses</b>					
Personnel expenses		\$ 1,434,351	\$ 156,102	\$ 2,089,469	\$ 307,407
Office and general expenses		1,122,209	577,951	1,789,076	1,366,636
Stock based compensation		172,014	—	641,530	—
Management fees		79,236	—	159,680	—
Listing fees		—	103,134	114,484	103,134
Operating lease expenses		72,602	—	105,231	—
Depreciation		20,662	2,411	37,059	2,792
Exploration and project evaluation		—	25,433	—	25,433
		<u>\$ 2,901,074</u>	<u>\$ 865,031</u>	<u>\$ 4,936,529</u>	<u>\$ 1,805,402</u>
Net loss before income taxes		\$ (2,690,918)	\$ (871,098)	\$(3,714,656)	\$(1,677,658)
Income taxes	8	46,556	—	46,556	—
Net loss		<u>\$ (2,737,474)</u>	<u>\$ (871,098)</u>	<u>\$(3,761,212)</u>	<u>\$(1,677,658)</u>
<b>Basic and diluted loss per share</b>	10	<u>\$ (0.06)</u>	<u>\$ (0.04)</u>	<u>\$ (0.08)</u>	<u>\$ (0.08)</u>

See accompanying notes to the consolidated financial statements.

CIC Energy Corp.  
(formerly Coal Investment Corp.)  
Consolidated Statements of Deficit

	<u>Note</u>	<b>Three months ended</b>		<b>Six months ended</b>	
		<b>May 31</b>	<b>May 31</b>	<b>May 31</b>	<b>May 31</b>
		<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
		<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
Deficit, beginning of period		\$ <b>(11,086,966)</b>	\$ (2,123,156)	\$ <b>(8,355,435)</b>	\$ (1,296,596)
Net loss for the period		<b>(2,737,474)</b>	(871,098)	<b>(3,761,212)</b>	(1,677,658)
Share issue costs		<b>(129,520)</b>	(3,259,491)	<b>(1,837,313)</b>	(3,279,491)
Deficit, end of period	7	<b><u>\$ (13,953,960)</u></b>	<u>\$ (6,253,745)</u>	<b><u>\$ (13,953,960)</u></b>	<u>\$ (6,253,745)</u>

See accompanying notes to the consolidated financial statements.

CIC Energy Corp.  
(formerly Coal Investment Corp.)  
Consolidated Statements of Cash Flows

	Note	Three months ended		Six months ended	
		May, 31 2007 Unaudited	May, 31 2006 Unaudited	May, 31 2007 Unaudited	May, 31 2006 Unaudited
<b>Cash Flows from Operating Activities</b>					
Net loss before income tax		\$ (2,690,918)	\$ (871,098)	\$ (3,714,656)	\$ (1,677,658)
Items not affecting cash					
Depreciation		20,662	2,411	37,059	2,792
Unrealised operational foreign exchange (gain) / loss		173,736	12,301	(600,611)	(109,347)
Stock based compensation		172,014	—	641,530	—
Net operating working capital changes	11(a)	201,097	(3,750,197)	(1,113,540)	(1,054,712)
Net cash flow from operating activities		<u>\$ (2,123,409)</u>	<u>\$ (4,606,583)</u>	<u>\$ (4,750,218)</u>	<u>\$ (2,838,925)</u>
<b>Cash Flows from Investing Activities</b>					
Purchase of equipment		\$ (37,888)	\$ (39,820)	\$ (213,390)	\$ (85,374)
Acquisition of subsidiary, net cash acquired		—	—	(1,046,381)	—
Exploration properties expenditures		(8,093,613)	(3,956,896)	(13,176,911)	(8,458,093)
Net cash flow from investing activities		<u>\$ (8,131,501)</u>	<u>\$ (3,996,716)</u>	<u>\$ (14,436,682)</u>	<u>\$ (8,543,467)</u>
<b>Cash Flow from Financing Activities</b>					
Proceeds from issue of share capital and warrants		\$ 11,011,514	\$ 53,705,649	\$ 45,627,264	\$ 65,132,709
Net cash flow from financing activities		<u>\$ 11,011,514</u>	<u>\$ 53,705,649</u>	<u>\$ 45,627,264</u>	<u>\$ 65,132,709</u>
Increase in cash and cash equivalents		\$ 756,604	\$ 45,102,350	\$ 26,440,364	\$ 53,750,317
Cash, beginning of period		53,594,725	14,195,921	27,910,965	5,547,954
Cash, end of period		<u>\$ 54,351,329</u>	<u>\$ 59,298,271</u>	<u>\$ 54,351,329</u>	<u>\$ 59,298,271</u>

See accompanying notes to the consolidated financial statements.

## 1. NATURE OF OPERATIONS

CIC Energy Corp. (formerly Coal Investment Corp.) was incorporated on March 10, 2005 under the International Business Companies Act in the Territory of The British Virgin Islands ("BVI") to engage in the acquisition, exploration, development and operation of coal properties in Botswana.

CIC Energy Corp. (the "Company" or "CIC") was established pursuant to the merger of Coal Investment Corp. and Consolidated Ophir Ventures Inc. ("Ophir"), effective March 14, 2006. CIC was incorporated under the International Business Companies Act in the Territory of the BVI and listed on the Toronto Stock Exchange on March 23, 2006. On June 5, 2006, CIC was listed on the Botswana Stock Exchange.

The acquisition of Ophir was accounted for as a reverse takeover transaction that does not constitute a business combination as Ophir does not meet the definition of a business for accounting purposes. The transaction is a capital transaction in substance rather than a business combination for accounting purposes. Under the takeover transaction CIC is treated as the acquirer and Ophir as the acquiree.

The net monetary liability acquired was as follows:

Assets acquired:	
Cash	\$10,938
Liabilities assumed:	
Current liabilities	<u>\$(20,268)</u>
<u>Net monetary liability:</u>	<u>\$ (9,330)</u>

Upon completion of the consolidation of CIC and Ophir, effective March 14, 2006 (i) the issued and outstanding shares of CIC (38,350,116 shares) and Ophir (1,001,405 shares) were exchanged on a one to one basis for common shares of CIC and (ii) the common share purchase warrants and broker warrants of CIC (5,987,590 warrants) were exchanged on a one to one basis for common share purchase warrants and broker warrants, respectively, of CIC.

Effective December 16, 2005, CIC subscribed for a 51% interest in Meepong Resources (Proprietary) Limited ("MRPL") after completion of the funding of US\$2 million for exploration and development of two prospecting licences. Effective January 3, 2006, the holder of the remaining interest in MRPL exercised its right to sell its interest of 49% therein to CIC in exchange for 5,606,250 common shares of CIC together with a cash consideration of US\$2 million.

The Company is a development stage enterprise as it devotes substantially all of its efforts to establishing a new business and planned principal operations have not yet commenced, which activities are indicative of a developmental stage enterprise.

These consolidated financial statements for the six month periods ended May 31, 2007 and 2006 comprise CIC and its wholly-owned subsidiaries (together, the "Company").

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of presentation

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles.

### (b) Principles of consolidation

These financial statements consolidate the financial statements of all controlled companies. Inter-company transactions and balances have been eliminated on consolidation.

### (c) Translation of foreign currencies

The Company's exploration subsidiaries are accounted for as integrated foreign operations and are translated into Canadian dollars using the temporal method. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates, while non-monetary items are translated at the exchange rate in effect at the transaction date. Income and expense items are translated at the exchange rates in effect on the date of the transaction. Exchange gains and losses resulting from the translation of these amounts are included in the consolidated statements of operations.

**(d) Property and equipment**

Property and equipment are stated at cost and depreciated on a straight-line basis over five years.

**(e) Leasehold improvements**

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term of 5 years or their estimated useful lives.

**(f) Mineral assets**

Mineral assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is written off on a unit of production basis over the expected life of the mine.

**(g) Exploration properties**

The Company considers its exploration costs to have the characteristics of plant and equipment. As such, the Company capitalizes all exploration costs that result in the acquisition and retention of resource properties or an interest therein. The amounts shown for exploration properties represents costs to date and do not necessarily reflect present or future values. If the properties are sold, allowed to lapse or are no longer of interest, accumulated costs are written down.

Included in exploration properties are amounts related to expenditures incurred during the pre-operating period. Once a project reaches commercial production, the exploration costs are amortised over the estimated useful life of the producing properties.

The recoverability of the carrying values of the properties is dependent on the ability of CIC to obtain the necessary financing and permits to continue exploration, the establishment of economically recoverable reserves, future profitable production and/or proceeds from the disposition thereof.

**(h) Income taxes**

The Company accounts for deferred income taxes using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognised for future tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities.

Future tax assets and liabilities are measured using tax rates enacted or substantially enacted

and expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognised in income in the year that includes the enactment or substantive enactment date.

A valuation allowance is provided to reduce future tax assets to the amount that is more likely than not to be recovered.

Income taxation on the profit or loss for the period presented comprises current and deferred taxation.

Current taxation is the expected taxation payable, using taxation rates enacted at the balance sheet date, including any prior year adjustments.

**(i) Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the years. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, exploration properties, valuation allowances of receivables and stock-based compensation. Actual results could differ from those estimates.

**(j) Loss per share**

Basic loss per share ("EPS") is calculated by dividing net loss by the weighted average number of shares outstanding during the year. Diluted EPS data is calculated using the treasury stock method. In applying the treasury stock method, options with an exercise price greater than the average quoted market price of the common shares are not included in the calculation of diluted earnings per share, as the effect is anti-dilutive.

**(k) Cash**

Cash includes those short-term money market instruments which, on acquisition, have a remaining term to maturity at acquisition of three months or less.

**(l) Impairment of long-lived assets**

Long-lived assets, including property and equipment, mining assets and exploration properties, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted cash future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognised by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

**(m) Stock-based compensation**

The Company has a stock-based compensation plan for agent options and compensation warrants, employees and property acquisition agreements, which is described in note 7. The Company accounts for all stock-based payments to non-employees under the fair value based method and accounts for all stock-based employee awards that call for settlement by the issuance of equity instruments under that method.

Under the fair value based method, compensation cost for equity settled stock options and direct awards of stock is measured at fair value at the grant date, while compensation costs for awards that call for settlement in cash or other assets, or are stock appreciation rights that call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by the issuance of equity instruments, is measured at the ultimate settlement amount. Compensation cost is recognised in earnings on a straight-line basis over the relevant vesting period. The counterpart is recognised in contributed surplus. Upon exercise of a stock option, share capital is recorded at the sum of the proceeds received and the related amount of contributed surplus.

**(n) Goodwill**

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures.

Goodwill represents the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

**3. FINANCIAL ASSETS AND LIABILITIES**

*(i) Fair values*

The fair values of the Company's cash, other receivables, prepayments, accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term nature of these amounts.

*(ii) Foreign exchange risk*

The Company carries out a significant portion of its transactions in currencies other than its reporting currency.

No hedging instruments are used as uncertainty exists as to the exact settlement dates of these transactions. Cash is held in the currency of the expected payment to reduce risks related to short-term fluctuations in foreign currencies.

*(iii) Interest rate risk*

The Company is not exposed to significant interest rate risk.

*(iv) Credit risk*

The Company's financial instruments do not represent a concentration of credit risk, as the Company deals with a number of reputable banks. Credit risk related to accounts receivable is not significant.

**4. PROPERTY AND EQUIPMENT**

	<b>May 31, 2007 (unaudited)</b>		<b>November 30, 2006 (audited)</b>	
	Cost	Accumulated depreciation	Net book value	Net book value
Leasehold property	\$ 32,287	\$ 7,385	\$ 24,902	\$ 27,395
Plant and equipment	55,711	6,787	48,924	54,753
Motor vehicles	9,076	1,151	7,925	9,076
Office equipment and furniture	360,228	40,384	319,844	134,040
	<b>\$ 457,302</b>	<b>\$ 55,707</b>	<b>\$ 401,595</b>	<b>\$225,264</b>

**5. MINERAL ASSETS**

	<b>November 30 2006 (audited)</b>	<b>Additions</b>	<b>May 31 2007 (unaudited)</b>
Mmamabula Mine Development	\$ 3,131,931	\$ -	\$ 3,131,931
	<b>\$ 3,131,931</b>	<b>\$ -</b>	<b>\$ 3,131,931</b>

**Mmamabula Mine Development**

CIC and International Power plc ("IPR") have reached an Understanding in Principle regarding the development of the Mmamabula coal mine, whereby IPR, through a new holding company to be established, will acquire an indirect 50% interest in Meepong Resources (Pty) Limited, CIC's Botswana subsidiary which holds the exploration licences for Mmamabula East and South. Final commercial terms are still being negotiated. \$3,131,931 is the value of development work, over and above direct exploration costs, carried out on the mine project.

## 6. EXPLORATION PROPERTIES

	November 30 2006 (audited)	Additions	May 31 2007 (unaudited)
Mmamabula	\$ 48,103,307	\$ 13,777,522	\$ 61,880,829

CIC is engaged in the exploration, development and operation of the Mmamabula East and Mmamabula South non-contiguous coal properties located in the Mmamabula coalfield in south-eastern Botswana. The properties are held by CIC's wholly-owned Botswana subsidiary, Meepong Resources (Pty) Limited.

## 7. SHAREHOLDERS' EQUITY

Shareholders' equity is comprised as follows:

	May 31, 2007 (unaudited)	November 30, 2006 (audited)
Capital stock (a)	\$132,219,355	\$ 83,016,015
Deficit	(13,953,960)	(8,355,435)
Options (c)	498,264	189,859
Warrants (b)	398,050	1,532,352
Contributed surplus	1,124,305	4,497
	<u>\$120,286,014</u>	<u>\$76,387,288</u>

(a) Capital stock

The authorised capital of the Company consists of an unlimited number of common shares without par value.

	<u>Number</u>	<u>Amount</u>
<b>Balance November 30, 2005</b>	<b>22,425,000</b>	<b>\$ 9,076,800</b>
Purchase the balance of 49% of MRPL on January 3, 2006 (Note 1) (iv)	5,606,250	1,930,063
Private placement February 13, 2006 (ii)	2,666,666	11,448,020
Private placement March 13, 2006 (iii)	7,652,200	52,800,180
Ophir Investments – merger allocation (Note 1)	1,001,405	-
Warrants exercised	1,975,000	3,927,587
Broker warrants exercised	160,000	186,009

	<b>Balance May 31, 2006</b>	<b>41,486,521</b>	<b>\$ 79,368,659</b>
Warrants exercised		1,737,500	3,420,696
Broker warrants exercised		200,000	226,660
		<u>43,424,021</u>	<u>\$ 83,016,015</u>
<b>Balance November 30, 2006</b>			
Warrants exercised		1,792,465	12,368,009
Broker warrants exercised		122,625	140,707
Options exercised		299,000	2,086,750
Shares issued		25,000	346,250
Sad-Elec – merger allocation (Note 7(a)(v))		130,000	1,261,624
Private placement		2,200,000	33,000,000
		<u>47,993,111</u>	<u>\$132,219,355</u>

(i) On July 19, 2005, the company completed a non-brokered private placement financing of 6,825,000 units for gross proceeds of \$8,326,000. Each unit consists of one common share and one half of one warrant. Each warrant entitles the holder to purchase one common share of CIC at a price of \$2.03 (US\$1.75) on or before March 23, 2009.

On July 29, 2005, the company completed a non-brokered private placement financing of 600,000 units for gross proceeds of \$732,000. Each unit consists of one common share and

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one half of one warrant. Each warrant entitles the holder to purchase one common share of CIC at a price of \$2.03 (US\$1.75) on or before March 23, 2009.

(ii) On February 13, 2006, the company completed a non-brokered private placement financing of 2,666,666 units at \$4.29 per unit for gross proceeds of \$11,448,020. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole common share purchase warrant entitled the holder to purchase one common share of CIC at a price of \$6.90 for a period of one year from the listing date of CIC.

(iii) On March 13, 2006, the company completed a private placement financing of 7,652,200 subscription receipts at \$6.90 per subscription receipt for gross proceeds of \$52,800,180. In connection with this financing CIC paid to the Agents a cash commission of 6.0% of the total gross proceeds and issued broker warrants which entitled the Agents to acquire up to 459,132 common shares of CIC at \$6.90 per share by March 24, 2007.

(iv) Per the shareholders' agreement between CIC and Meepong Investments (Pty) Limited, 49% of MPRL has been transferred to CIC in return for 5,606,250 shares of US\$.30 each issued by CIC, together with a cash payment of US\$2,000,000.

(v) On December 20, 2006, CIC agreed to acquire Johannesburg-based Southern African Development Through Electricity (Pty) Ltd. ("SAD-ELEC") via a binding Sale of Business Agreement (the "Agreement").

SAD-ELEC is a leading consultancy group in the Southern African energy sector, with extensive experience in providing energy-related advisory services to utilities, governments, major energy consumers, fuel suppliers and financiers. SAD-ELEC has served as a strategic advisor to CIC since August, 2005, focusing on legal, regulatory and utility issues, power market analysis, commercial arrangements, and transmission integration for the Mmamabula Energy Project

("Mmamabula") into the Botswana and South African power grids.

Pursuant to the Agreement, a wholly-owned subsidiary of CIC purchased SAD-ELEC's "Core Business", effective January 1, 2007. This included SAD-ELEC's consulting, advisory and management business, along with the services of certain senior executives. The senior executives are managing key aspects of Mmamabula, in particular related to the planned implementation and operations phases. Certain of these executives, plus other SAD-ELEC personnel, have been temporarily seconded to the completion of existing contractual obligations of SAD-ELEC. Commercial terms of the Agreement included a cash payment of R6.5 million (approximately CA\$1.07 million) and the issuance of 130,000 common shares and 100,000 common share purchase warrants of CIC. Each warrant entitles the holder to purchase one common share of CIC at CA\$11.00 until January 1, 2009.

The Goodwill value \$2,437,525 of the SAD-ELEC purchase is calculated as follows:

Cash payment of R6 500 000	\$1,046,381
Value of 130 000 shares	1,261,624
Value of 100 000 warrants	129,520

(vi) On February 8, 2007 CIC announced that it had entered into a bought deal private placement with a syndicate of underwriters led by Westwind Partners Inc. The underwriters purchased, on a bought deal private placement basis, 2,200,000 common shares of the Company at a price of CA\$15.00 per share, for aggregate gross proceeds of approximately CA\$33,000,000. CIC plans to use the net proceeds of this financing for general corporate purposes.

(b) Warrants

(i) Agent options and compensation warrants

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For the three and six months ended May 31, 2007 and 2006

As at May 31, 2007, there were no Agent options and compensation warrants outstanding.

fair value of warrants granted during the year \$ 1.62

	<u>Warrants</u>	<u>Weighted average price</u>
Issued - July 21, 2005 (Note 8a(i))	482,625	\$1.16
<b>Balance November 30, 2005</b>	<b>482,625</b>	<b>\$1.16</b>
Issued - March 13, 2006 (Note 7a(iii))	459,132	\$6.90
Exercised - April 11, 2006	(160,000)	\$1.16
<b>Balance May 31, 2006</b>	<b>781,757</b>	<b>\$4.53</b>
Exercised - June 1, 2006	(100,000)	\$1.14
Exercised - November 30, 2006	(100,000)	\$1.13
<b>Balance November 30, 2006</b>	<b>581,757</b>	<b>\$5.68</b>
Exercised - February 28, 2007	(83,625)	\$1.13
Exercised - February 28, 2007	(241,044)	\$6.90
Exercised - May 31, 2007	(39,000)	\$1.14
Exercised - May 31, 2007	(218,088)	\$6.90
<b>Balance May 31, 2007</b>	<b>-</b>	<b>\$ -</b>

(ii) Other Warrants

	<u>Warrants</u>	<u>Weighted average price</u>
Issued - July 19, 2005 (Note 8a(i))	3,412,500	\$2.03
Issued - July 29, 2005 Note 8 a(i))	300,000	\$2.03
<b>Balance November 30, 2005</b>	<b>3,712,500</b>	<b>\$2.03</b>
Issued - February 13, 2006 (Note 8 a(ii))	1,333,333	\$6.90
Exercised	(1,975,000)	\$1.99
<b>Balance May 31, 2006</b>	<b>3,070,833</b>	<b>\$4.14</b>
Exercised	(1,737,500)	\$1.97
Issued - August 31, 2006 (Note 8 b(ii))	150,000	\$8.06
<b>Balance November 30, 2006</b>	<b>1,483,333</b>	<b>\$7.02</b>
Exercised	(1,333,333)	\$6.90
Issued - December 8, 2006	400,000	\$11.00
January 1, 2007	650,000	\$11.00
February 2, 2007 (Note 8 a(ii))	400,000	\$11.00
Issued - March 1, 2007 (Note 8 b(ii))	225,000	\$14.00
<b>Balance May 31, 2007</b>	<b>1,825,000</b>	<b>\$11.13</b>

The fair value of the warrants issued has been determined using the Black-Scholes model using the following assumptions:

Risk-free interest rate	6.00%
Dividend yield	0%
Volatility factor of the expected market price of the Company's shares	125%
Average expected warrant life (years)	1.1
Weighted-average grant date	

The exercise price of the warrants are determined by reference to the closing price of the share at the date of issue of the warrants.

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As at May 31, 2007 warrants outstanding due to share subscription warrants were as follows:

Number of Common Shares Subject to Warrants	Exercise Price	Expiry Date
150,000	\$8.06	31-Aug-2008
400,000	\$11.00	08-Dec-2014
100,000	\$11.00	01-Jan-2009
550,000	\$11.00	01-Jan-2015
400,000	\$11.00	01-Feb-2015
<u>225,000</u>	\$14.00	31-Jan-2015
<u>1,825,000</u>		

(c) Options

The Company has a rolling ten percent stock option plan in terms of which stock options are issued to directors, officers, employees and key consultants from time to time. Options granted may be exercised during a period not exceeding eight years, subject to earlier termination under various circumstances. The exercise price may not be less than the minimum price stipulated by applicable regulators.

The fair value of the options issued has been determined using the Black-Scholes model using the following assumptions:

Risk-free interest rate	6.00%
Dividend yield	0%
Volatility factor of the expected market price of the Company's shares	125%
Average expected option life (years)	8
Weighted-average grant date fair value of options granted during the year	\$ 0.68

	<u>Options</u>	<u>Weighted average price</u>
Issued - April 17, 2006	3,025,000	\$6.90
<b>Balance May 31, 2006</b>	<b>3,025,000</b>	<b>\$6.90</b>
Issued - July 26, 2006	890,000	\$8.00
Issued - November 2, 2006	110,000	\$8.61
Issued - December 22, 2006	427,000	\$8.61
Cancelled	(245,000)	\$6.90
	(40,000)	\$8.00
Issued - March 02, 2007	352,500	\$15.82
Exercised - May 31, 2007	(299,000)	\$6.98
<b>Balance May 31, 2007</b>	<b>4,220,500</b>	<b>\$8.63</b>

Of the above options, the following options have vested at May 31, 2007:

Issued April 17, 2006.	1,217,500
Issued July 26, 2006.	191,250
Issued November 02, 2006.	27,500
Issued December 22, 2006.	126,666

The stock options outstanding at May 31, 2007 expire as follows:

	Price	Number of options
April 17, 2014	\$6.90	2,502,500
July 26, 2014	\$8.00	828,500
November 2, 2014	\$8.61	35,000
November 2, 2014	\$14.00	75,000
December 22, 2014	\$13.15	427,000
March 02, 2015	\$15.82	<u>352,500</u>
<b>Total</b>		<b><u>4,220,500</u></b>

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The fair value of options cancelled is included in contributed surplus.

The total stock compensation recognized in the Statement of Operations is \$641,530 for the six month period ended May 31, 2007.

### 8. INCOME TAXES

(a) The income tax expense recognized in the statements of operations is reconciled as follows:

		Six months ended	
		May 31, 2007	May 31, 2006
		(unaudited)	(unaudited)
<b>Current tax expense</b>	<b>%</b>		
BVI	0%	\$ -	\$ -
South Africa	29%	46,556	-
Botswana	15%	-	-
		<u>\$ 46,556</u>	<u>\$ -</u>

		Six months ended	
		May 31, 2007	May 31, 2006
		(unaudited)	(unaudited)
<b>Reconciliation of effective tax rate</b>			
Loss before tax		\$(3,714,656)	\$ (1,677,658)
Tax rate BVI			
0% (2006: 0%)		-	-
Effect of foreign jurisdictions			
1% (2006: 0%)		46,556	-
Effective tax rate			
1% (2006: 0%)		<u>\$ 46,556</u>	<u>\$ -</u>

(b) The tax basis of the Company's Botswana and South African assets converted at year-end exchange rates results in a temporary difference, whereby the translated tax base is different than the Company's carrying value for accounting purposes. The tax effect of this temporary difference has not been recognised

as a deferred tax asset, as future taxable income is not certain due to the risks associated with exploration ventures. These losses do not have expiry dates.

Deferred tax assets can be summarised as follows:

	May 31, 2007 (unaudited)	November 30, 2006 (audited)
Deductible temporary differences	\$ 9,751,914	\$ 7,694,479
Valuation allowance	(9,751,914)	(7,694,479)
	<u>\$ -</u>	<u>\$ -</u>

### 9. RELATED PARTY TRANSACTIONS

Included in the accounts are payments made to companies under the control or significant influence of officers and directors of the Company. These transactions are recorded at the exchange amount, being the amount agreed to by the parties and are in the ordinary course of business. A summary of these transactions follows:

	Six months ended	
	May 31, 2007 (unaudited)	May 31, 2006 (unaudited)
Administrative services <sup>1</sup>	\$ 159,680	\$ 102,665
Consideration paid to original shareholders of Meepong Resources (Pty) Ltd. <sup>2</sup>	\$ -	\$ 4,225,195

1. CIC carries on business outside Canada. CIC purchases administrative, advisory and investor relation services from a company that shares a common director to assist in fulfilling its ongoing obligations as a reporting issuer listed for trading on a stock exchange in Canada. On August 1, 2005, the Company entered into an administrative service agreement (the "Agreement") with Tau Capital Corp. ("Tau"). The Agreement

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the three and six months ended May 31, 2007 and 2006

has an initial term of three years, terminating on July 31, 2008, subject to further renewal by the parties to the agreement. The terms of the Agreement required the company to pay a monthly service fee of US\$18,000 until the listing of the Company's shares on a Canadian stock exchange. As the shares are now listed, the agreement calls for Tau to be paid a monthly service fee of US\$23,000.

- The total consideration paid to acquire 100% of Meepong Resources (Pty) Limited (MRPL) from the original shareholders. (See Note 7a(iv))

### 10. BASIC AND DILUTED LOSS PER COMMON SHARE

The following table sets forth the computation of basic and diluted loss per share.

	Three months ended		Six months ended	
	May	May	May	May
	31, 2007	31, 2006	31, 2007	31, 2006
	(unaudited)		(unaudited)	
<b>Numerator – Basic and Diluted</b>				
Net loss	<u>\$(2,737,474)</u>	<u>\$(871,098)</u>	<u>\$(3,761,212)</u>	<u>\$(1,677,658)</u>
<b>Denominator - Basic and Diluted</b>				
Weighted average number of shares	<u>48,507,615</u>	<u>20,803,457</u>	<u>45,995,722</u>	<u>20,803,457</u>
<b>Basic and diluted loss per share</b>	<u>\$(0.06)</u>	<u>\$(0.04)</u>	<u>\$(0.08)</u>	<u>\$(0.08)</u>

4,220,500 share options and 1,825,000 warrants have been excluded in the calculation as their exercise would be anti-dilutive.

### 11. SUPPLEMENTARY CASH FLOW INFORMATION

- Change in non-cash working capital items

	Three months ended		Six months ended	
	May	May	May	May
	31, 2007	31, 2006	31, 2007	31, 2006
	(unaudited)		(unaudited)	
Other receivables	\$ (35,896)	\$ 74,247	\$ (292,514)	\$ (328,510)
Prepayments	(49,928)	(405,337)	(62,252)	(405,337)
Accounts payable and accrued liabilities	<u>286,921</u>	<u>(3,419,107)</u>	<u>(758,774)</u>	<u>(320,865)</u>
Change in non-cash working capital	<u>\$ 201,097</u>	<u>\$(3,750,197)</u>	<u>\$(1,113,540)</u>	<u>\$(1,054,712)</u>

- Changes in non-cash elements of financing and investing activities

	Three months ended		Six months ended	
	May	May	May	May
	31, 2007	31, 2006	31, 2007	31, 2006
Acquisition SAD-ELEC Exploration properties	\$ -	\$ -	\$ 1,261,624	\$ -
	-	-	-	1,930,063

The non-cash movements in exploration properties relate to shares issued in CIC as part of the acquisition of MRPL.

The non-cash movements in the acquisition of SAD-ELEC relate to shares issued in CIC as part of the acquisition of SAD-ELEC.

### 12. COMMITMENTS

In terms of the assignment of lease agreement between CICS and Inclub Properties (Pty) Limited, CICS has future operating lease commitments for equipment and buildings amounting to \$458,188, ending February 28, 2011. Annual payments are:

2007	\$ 54,485
2008	116,663
2009	126,556
2010	137,298
2011	<u>23,186</u>
	<u>\$ 458,188</u>

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In terms of a lease agreement between CICS and Tiber Property Group (Pty) Limited, CICS has future operating lease commitments for equipment and buildings amounting to \$84,520 ending January 31, 2008. Annual payments are:

2007	\$ 63,390
2008	<u>\$ 21,130</u>
	<u>\$ 84,520</u>

In terms of a lease signed by Meepong Resources (Pty) Limited, Meepong Resources has future operating lease commitments for equipment and buildings amount to \$9,846 ending December 31, 2007. Annual payments are:

2007	\$ 8,439
2008	<u>\$ 1,407</u>
	<u>\$ 9,846</u>

### 13. SEGMENT REPORTING

The Company comprises of one significant business segment which relates to the acquisition, exploration and development of coal properties in Botswana. The geographical segment of these activities is reflected in note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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*This report contains forward-looking statements based on current expectations. These forward-looking statements entail various risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements. Risk and uncertainties about the Company's business are more fully discussed in the Management Discussion and Analysis published in the Company's Annual Report and in CIC's Annual Information Form.*

**Directors**

Sandra Cowan  
Mandla Gantsho  
Reuel Khoza – Co-Chairman  
Gregory Kinross  
Len Konar  
Blackie Marole  
Adrian Meyer – appointed 1 June 2007.  
Warren Newfield – Co-Chairman

Elvidge Mhlauli – resigned 15 December 2006.  
Frank Crothers – resigned 28 May 2007

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**Management**

Greg Kinross, CEO and President  
Tore Horvei, COO – appointed 1<sup>st</sup> January 2007.  
Sue Myburgh, CFO

Francois Badenhorst resigned 1<sup>st</sup> January 2007

**CIC Energy (SA) (Pty) Ltd**

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TSX symbol: ELC

BSE Name: CIC ENERGY

Listed in Standard & Poor's Corporation Records  
CUSIP: G2136R