



CIC ENERGY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Dated: July 12, 2007

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Unless otherwise indicated all funds in this document are in Canadian Dollars.

Forward-Looking Statements

This Management's Discussion and Analysis contains certain "forward-looking statements". All statements, other than statements of historical fact, that address activities, events or developments that CIC Energy Corp. believes, expects or anticipates will or may occur in the future are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of CIC Energy Corp. based on information currently available to CIC Energy Corp. Such forward-looking statements include, among other things, statements relating to the Mmamabula Energy Project (as defined herein) with respect to estimates and/or assumptions in respect of mineral resources, mineral resource qualities, targets, future production, goals, objectives, plans and future economic, market and other conditions. Forward-looking statements are subject to significant risks and uncertainties and other factors that could cause the actual results to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: failure to complete a positive bankable feasibility study on the Mmamabula Energy Project; the grade, quality and recovery of coal which is mined varying from estimates (the mineral resource figures referred to in this Management's Discussion and Analysis are estimates and no assurances can be given that the indicated levels of coal will be produced); inflation; changes in exchange rates; the ability to raise the required debt financing for the Mmamabula Energy Project; Rand liquidity and constraints under applicable South African law and/or practice on the amount that a single lender is able to lend to a single borrower; delays in the development of the Mmamabula Energy Project caused by unavailability of equipment, labour or supplies, limited capacity among engineering, procurement and construction firms, climatic conditions or otherwise; insufficient transportation and transmission capacity, geological and mechanical conditions; delays or failures in obtaining regulatory permits and/or licences respecting mining, power generation and/or power transmission lines; the existence of undetected or unregistered interests or claims, whether in contract or tort, over the properties of CIC Energy Corp.; availability of water (and sorbent) at cost effective prices; inability to enter into power purchase agreements and/or transmission agreements with Eskom Holdings Limited and (to a lesser extent) Botswana Power Corporation or other requisite agreements, including fixed price contracts with reputable engineering, procurement and construction firm(s) and other agreements required to facilitate the development, operation and financing of the Mmamabula Energy Project, including with International Power plc; failure to raise additional funds on favourable terms to finance such development; inability to obtain tax concessions from the Government of Botswana and requisite credit support from the Government of South Africa and/or the Government of Botswana; political risks arising from operating in Africa; lack of markets for coal resources, if any, which may exceed the projected coal consumption of the Phase One and Phase Two power plants of the Mmamabula Energy Project; or other factors (including development and operating risks). Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, CIC Energy Corp. disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although CIC Energy Corp. believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein. No assurances can be given that the levels of coal indicated by the current mineral resource estimates for the Mmamabula Energy Project will be produced. Such estimates are expressions of judgement based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While CIC Energy Corp. believes that the current mineral resource estimates for the Mmamabula Energy Project are well established, by their nature resource estimates are imprecise and depend, to a certain extent, upon statistical interferences which may ultimately prove unreliable. If such estimates are inaccurate or are reduced in the future, this could have a material adverse impact on CIC Energy Corp. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that mineral resources can be upgraded to mineral reserves through continual exploration.

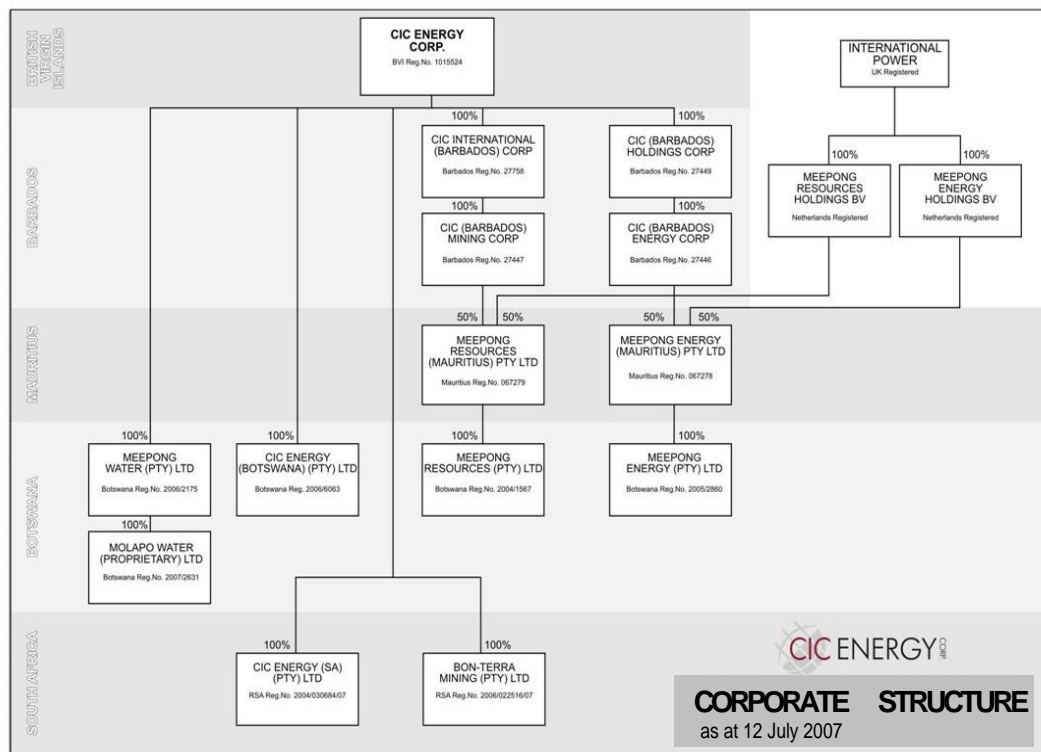
1 Introduction

CIC Energy Corp. (formerly Coal Investment Corp.) ("CIC" or the "Company") was established under the International Business Companies Act in the Territory of the British Virgin Islands pursuant to the consolidation of Coal Investment Corp. and Consolidated Ophir Ventures Inc. ("Ophir"), effective March 14, 2006. The common shares of CIC commenced trading on the Toronto Stock Exchange ("TSX") on March 23, 2006 under the symbol ELC. On June 5, 2006 the common shares of CIC were listed on the Botswana Stock Exchange ("BSE") under the name CIC ENERGY.

The registered office and head office of CIC are each located at Geneva Place, Second Floor, 333 Waterfront Drive, Wickham's Cay, Road Town, Tortola, British Virgin Islands. The address for service of CIC in Canada is c/o 110 Sheppard Avenue East, Suite 610, Toronto, Ontario, Canada, M2N 6Y8 (Attention: Tau Capital Corp.). The South Africa address is c/o CIC Energy SA (Pty) Limited (Previously: Coal Investment Corp. Services (Proprietary) Limited), Inanda Greens, Ground Floor, Augusta House, Unit 6, Albertyn St., Wierda Valley, Sandton, PO Box 784938; the Botswana address is Plot 132, 1st Floor, Victoria House, Independence Avenue, Gaborone, Botswana.

This Management's Discussion and Analysis ("MD&A") has been prepared to give shareholders an assessment of not only what the Company has accomplished in the three months period ended May 31, 2007, but also what management initiatives have been undertaken to increase shareholder value in the future.

The following diagram illustrates CIC's principal subsidiaries, together with the jurisdiction of incorporation of each company:



CIC Mining (Pty) Ltd was established during July 2006 to manage mining operations. On December 7, 2006 CIC announced in a press release the appointment of a mining management team with extensive experience in the development and management of large coal mining operations. The name of CIC Mining (Pty) Ltd was changed to Bon-Terra Mining (Pty) Ltd ("Bon-Terra") on April 13, 2007.

The Board and Shareholders of CIC recently approved a reorganization of holding structure of Meepong Energy (Proprietary) Limited and Meepong Resources (Proprietary) Limited, pursuant to which the shares of these companies were transferred to two new wholly-owned subsidiaries incorporated in Mauritius (Meepong Energy (Mauritius) (Pty) Limited and Meepong Resources (Mauritius) (Pty) Limited, respectively),

which companies are in turn owned by new wholly-owned subsidiaries incorporated in Barbados. This reorganization was implemented in order to facilitate the investment of International Power plc ("IPR") in the Mmamabula Energy Project (as defined below), as well as to provide flexibility for future corporate transactions.

The discussion and analysis of the financial status of CIC for the three and six months ended May 31, 2007 should be read in conjunction with the audited consolidated financial statements and related notes for CIC and its wholly-owned subsidiaries for the year ended November 30, 2006.

All financial information reported herein for the three and six months ended May 31, 2007 is unaudited.

2 Description of the Business and Summary of Recent Activities

CIC is engaged in the development of two non-contiguous greenfields coal properties located in the Mmamabula Coalfield in Southeastern Botswana, with the objective of supplying fuel to major, integrated, mine-mouth power stations. It is envisaged that the power stations will supply electricity to the Southern African region. Collectively, the two coal properties and the proposed power stations are referred to as the "Mmamabula Energy Project" ("Mmamabula" or the "Project").

The two coal properties, which are held 100% by CIC's wholly-owned Botswana subsidiary, Meepong Resources, consist of the 510,70 hectare ("ha") Coal Prospecting Licence No. 11/2004 ("Mmamabula East") and the 135,89 ha Coal Prospecting Licence No. 75/2002 ("Mmamabula South"). Meepong Resources is currently exploring and developing the Project with the intention of defining coal resources which may be suitable as thermal coal for an integrated coal-fired power station. Mineral resources have been reported by CIC for three areas within Mmamabula East, namely the Mookane Block, Serorome Block and the Dovedale Block and for the Mmamabula South licence area; these mineral resources are discussed further in *Section 5: Exploration & Mineral Resource Estimates*. The proposed power station site at Mmamabula is some 80 kilometres ("km") west of the 3,690 megawatt ("MW") (net capacity) Matimba Power Station ("Matimba") in South Africa, operated by Eskom Holdings Limited ("Eskom"), South Africa's national electrical utility. The Mmamabula site has excellent infrastructure, with proximity to road, rail, water and power.

The Southern African region is currently experiencing major peaking power shortages and major base load generation capacity shortages are predicted to begin as early as 2011 (cf. Absa Bank of South Africa Limited, a subsidiary of Barclays Bank). Based on projected upcoming power deficits, the Southern African regional utilities, including Eskom, are promoting new projects and will require additional power to meet their requirements. To address part of the projected power shortfall, CIC is currently conducting a Bankable Feasibility Study ("BFS") for the development of an integrated coal mine and power station to be built as part of a two-phase project to commence providing electricity to the Southern African power grid in early 2012.

It was originally the Company's stated intention to develop a six unit power station of 600 MW (net capacity) per unit, for a total net capacity of 3,600 MW. However, in December 2006 the Company announced its intention to modify the sizing of the Project to allow for a larger overall power plant, built in two equivalent phases. It is envisaged that Phase One will be developed as a 7.5 to 9.0 million tonne ("Mt") per annum (run-of-mine; "ROM") coal mine which would supply a 2,100 to 2,460 MW (net capacity) power station. The Phase One power station is planned to be built as three units of 700 to 820 MW each, with the final unit size to be determined as part of the negotiation of an Engineering, Procurement and Construction ("EPC") Contract. The Company initiated a formal EPC tender process in December 2006 and has shortlisted a select group of international EPC contractors for final negotiations.

Construction of Phase One is scheduled to begin in the second calendar quarter of 2008, with commercial operations of the first unit expected in the second calendar quarter of 2012. The second and third units are scheduled to come on-line at six to eight month intervals from this date. Construction of Phase Two is anticipated to begin subsequent to completion of construction of Phase One and following completion of a positive Phase Two BFS.

All key agreements and contracts currently being negotiated and discussed herein relate only to the Phase One power station. However, the potential electricity off-takers have expressed interest in the proposed Phase Two expansion. All environmental studies being performed, and licences and permits being sought are based on the two phases of the Project, being the six unit power station with a total net capacity of 4,200 to 4,920 MW.

Discussions between the Company and its proposed 50% partner IPR, and South African and international lenders and leading Export Credit Agencies, which were announced during the quarter, are advancing well. Approximately 80% of the Project is expected to be financed by limited recourse project debt with the remainder to be financed by equity. CIC Energy and IPR are evaluating the option of including a third party as a minority equity investor in the Project in order to access low-cost debt finance.

Furthermore, the Company recently announced it is exploring further options to maximize the value of the coal resource at Mmamabula as the current coal resource estimate in the measured and indicated categories exceeds projected coal consumption for both Phase One and Phase Two power plants. In addition ongoing exploration may lead to a further increase in the mineral resource. The general nature of the options being considered include other markets for the coal as well as potential upstream projects such as coal to liquids.

CIC's principal business objective is to develop integrated mine-mouth power stations at Mmamabula. Shareholder value through the generation of cash flow is planned to come from the direct development of the Project. Mmamabula is well-positioned to meet the objective of CIC and the Project is being pursued at an accelerated rate.

3 Qualified Persons and Technical Report

Exploration at Mmamabula is being conducted under the supervision of Mr. Wynand Marais. Mr. Marais who is employed by Bon-Terra, is registered as a Fellow with the South African Institute of Mining and Metallurgy and a "Qualified Person", as such term is defined in National Instrument 43-101 ("NI 43-101"). Mr. Marais has reviewed and approved the technical information in this MD&A.

An independent technical report on the Project entitled "CIC Energy Corp.: Mmamabula Project, South-eastern Botswana, Project No. J912, National Instrument 43-101 Technical Report" (the "Technical Report"), dated June 1, 2007 containing information about the mineral resource estimates for the Project and other relevant information, was filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") and may be accessed via the SEDAR website at www.sedar.com. The "Qualified Person", as such term is defined in NI 43-101, responsible for the preparation of the Technical Report was Mr. David J. Amott. Mr. Amott is a qualified Professional Natural Scientist and a member of the Australasian Institute of Mining and Metallurgy ("AusIMM") with Chartered Practising status and at the time the mineral resource estimates and technical report were prepared, was an employee of Snowden Mining Industry Consultants ("Snowden").

4 Exploration Properties

(a) Adjacent Properties

Mmamabula is situated within the greater Mmamabula Coalfield in Southeastern Botswana. The Mmamabula Coalfield forms the western extension of South Africa's Waterberg Coalfield. No operating mines have been established to date within the Mmamabula Coalfield. However, the Waterberg Coalfield is host to South Africa's largest coal mine, the 16 Mt per annum Grootegeluk Colliery, located approximately 80 km east of Mmamabula and owned by Exxaro Resources Limited. The Grootegeluk Colliery provides feed for the nearby Matimba power station.

(b) Mmamabula East

Mmamabula East is located in Botswana, 120 km to the north of the capital city of Gaborone. The property lies between Botswana's main paved highway, which runs from Gaborone to Francistown, and the border with South Africa. Secondary unpaved roads facilitate access to the property.

The Mmamabula East coal prospecting licence was granted to Meepong Investments (Proprietary) Limited ("Meepong Investments") on April 1, 2004 and subsequently transferred from Meepong Investments to Meepong Resources. The coal prospecting licence is valid for a period of three years. In December 2006, an application for a mining licence (the "Mining Licence") was submitted by Meepong Resources to the Government of Botswana. As a result of the ongoing assessment by Government of the Mining Licence application, the validity of the coal prospecting licence has been extended to July 31, 2007, with a further extension applied for should the Mining Licence not have been granted by this time.

Phase I drilling was completed in February 2006 and concentrated in the Mookane Block. A Phase II drilling program, which concentrated on the Dovedale Block, was completed at the end of July 2006. Phase III drilling on the area in between Mookane and Dovedale (ie the Serorome Block) is ongoing. A Phase IV drilling program has commenced on the Border Block in the easternmost portion of the property.

(c) Mmamabula South

Mmamabula South is located approximately 15 km southwest of Mmamabula East. The property is transected by the country's main paved highway, which runs from Gaborone to Francistown. Secondary unpaved roads facilitate access on the property.

The Mmamabula South renewal coal prospecting licence was granted to Meepong Resources in July, 2005 and is valid for a period of two years. In December 2006 an application for a Mining Licence was submitted by Meepong Resources to the Government of Botswana. As a result of the ongoing assessment of the Mining Licence application, the validity of the prospecting licence has been extended to July 31, 2007, with a further extension applied for should the Mining Licence not have been granted by this time.

Exploration drilling at Mmamabula South by Meepong Resources as part of the Phase II and III exploration program is described in greater detail in *Section 5: Exploration and Mineral Resource Estimates*. This work is designed to provide an initial test of this portion of the Mmamabula Energy Project.

(d) *Water supply*

CIC is currently assessing the water demands of the Project and potential sources of water. As part of that process, a groundwater exploration program consisting of geophysical surveys followed by a drilling and testing of 46 exploration boreholes was undertaken by Wellfield Consulting Services over an area of some 1500km². The area lies to the southwest of Kudumatse and north of the Mmamabula East Licence area.

The exploration program identified a significant groundwater resource in the Ntane Sandstone aquifer of the Karoo system.

The identified resource has been further quantified by numerical modelling that has simulated the development and operation of a production wellfield within 20 kilometres of the MEP site. The results of this modelling study are currently being reviewed.

Discussions with the Government of Botswana regarding Phase 2 of the North South Water Carrier (NSC2) are still ongoing for the development of NSC2 in accordance with the National Water Master Plan. NSC2 will be sized to carry sufficient water supplies to current and future NSC linked water use areas within the integrated regional supply system of Eastern Botswana, including the Mmamabula Energy Project.

It is anticipated that the water requirements will be sourced from a conjunctive use scheme consisting initially of groundwater from production wellfields developed as part of the Project, later complimented by water sourced from the NSC2 once developed.

5 Exploration & Mineral Resource Estimates

The Company, via Meepong Resources, has completed a total of 118,459 metres in 1,282 diamond drill holes at Mmamabula as at 27 June 2007. The majority of the initial exploration focused on the Dovedale and Mookane Blocks. Since commencement of exploration by the Company in mid-2005, up to twelve drill rigs have been active at one time on the Project. As of the date of this report a total of eight drill rigs are currently active, focusing on the Serorome and Border Blocks.

The coal seams at Mmamabula East occur within the Dibete Formation of the Upper Ecca Subgroup and Mmamabula Formations of the Middle Ecca Subgroup. The D1 seam of the Dibete Formation and M2 seam of the Mmamabula Formation have been identified from previous exploration undertaken by British Petroleum's Coal Division ("BPCD") as having the best potential to be economically extracted. CIC identified the potential value of the D1 and M2 seams, and used BPCD's information as a basis for the funding and implementation of an infill drilling and sampling program from 2005 to date.

The results of exploration drilling by CIC, along with those from exploration by BPCD between 1981 and 1987 on what is now Mmamabula East, have been used as the basis for independent mineral resource estimates prepared by Snowden. On June 22, 2006, CIC announced a mineral resource estimate for the Mookane Block, the results of which are set out in a report by Snowden, dated July 21, 2006 and entitled "CIC Energy Corp.: Mmamabula Energy Project, Southeastern Botswana, Project No. J889: Third Technical Report". Subsequently, on September 7, 2006, CIC announced a mineral resource estimate for the Dovedale Block, the results of which are set out in a report by Snowden, dated October 19, 2006 and entitled "CIC Energy Corp.: Mmamabula Energy Project, Southeastern Botswana, Project No. J912: Fourth Technical Report".

Subsequently, mineral resources have been reported by CIC for three areas within Mmamabula East, namely the Mookane Block, Serorome Block and the Dovedale Block and for the Mmamabula South licence area. A report, entitled "CIC Energy Corp.: Mmamabula Project, South-eastern Botswana, Project No. J912, National Instrument 43-101 Technical Report" and dated June 1, 2007, (the "Fifth Technical Report") was prepared by Snowden.

Each of the Third, Fourth and Fifth Technical Reports has been filed on the SEDAR website. Results of each mineral resource estimate were consistent with Management's expectations. Summaries of mineral resource estimates for the Project announced to date are presented in the following tables.

Mmamabula Global Mineral Resource Estimate (D1 + M2 Seams: Mmamabula East incorporating the Mookane, Dovedale and Serorome Blocks and Mmamabula South)

Category	Tonnage (Mt)
Measured	1,648.1
Indicated	633.7
Measured + Indicated (total)	2,281.9
Inferred	73.9

Mookane Block: D1 + M2 Seams Mineral Resource Estimate (Mmamabula East)
 (effective date: June 7, 2006)

Category	Tonnage D1 Seam (Mt)	Tonnage M2 Seam (Mt)	Tonnage D1 + M2 Seams (Mt)
Measured	355.8	241.3	597.1
Indicated	27.8	27.8	55.5
Measured + Indicated (total)	383.5	269.1	652.6
Inferred	5.1	-	5.1

Dovedale Block: D1 + M2 Seams Mineral Resource Estimate (Mmamabula East)
 (effective date: May 24, 2007)

Category	Tonnage D1 Seam (Mt)	Tonnage M2 Seam (Mt)	Tonnage D1 + M2 Seams (Mt)
Measured	332.4	442.4	774.7
Indicated	76.8	104.9	181.8
Measured + Indicated (total)	409.2	547.3	956.5
Inferred	4.4	0.5	4.8

Serorome Block: D1 + M2 Seams Mineral Resource Estimate (Mmamabula East)
 (effective date: May 24, 2007)

Category	Tonnage D1 Seam (Mt)	Tonnage M2 Seam (Mt)	Tonnage D1 + M2 Seams (Mt)
Measured	-	-	-
Indicated	196.7	165.0	361.7
Measured + Indicated (total)	196.7	165.0	361.7
Inferred	41.5	18.7	60.2

Mmamabula South: D1 + M2 Seams Mineral Resource Estimate
 (effective date: May 24, 2007)

Category	Tonnage D1 Seam (Mt)	Tonnage M2 Seam (Mt)	Tonnage D1 + M2 Seams (Mt)
Measured	183.2	93.1	276.3
Indicated	22.6	12.1	34.7
Measured + Indicated (total)	205.8	105.2	311.0
Inferred	3.4	0.3	3.7

The current mining method proposed for the mineral resources is conventional underground board and pillar mining using continuous miners ("CM"). Alternative mining methods aimed at optimizing resource utilization are being investigated.

A Pre-Feasibility Study ("PFS") into the possible introduction of strip mining operations over an area which will not be able to be mined by underground methods at Mookane is currently being conducted. A team has been appointed to investigate mining methods, mining equipment, capital and operating costs with the aim of adding an addendum to the BFS to incorporate strip mining as part of the mining operations at Mookane if proven viable. The main advantages of this will be:

- Flexibility between underground and strip mining operations
- Improved utilisation of the Mookane Resource area
- Less mining risk
- Less safety risk

Environmental impact studies to assess the effects of strip mining operations have been completed and the report submitted to the Department of Environmental Affairs in Botswana .

Additional information with respect to the current mineral resource estimates for the Project is set out in the Fifth Technical Report a copy of which can be obtained from SEDAR.

Results from further drilling being undertaken in the Dovedale Block, Border Block (most eastern block) and the Serorome Block (between Dovedale and Mookane blocks) on Mmamabula East and on Mmamabula South are continuously being evaluated, with an updated mineral resource estimate expected by October 2007.

6 Bankable Feasibility Study

On May 16, 2006, CIC announced its intention to proceed with a BFS for the Project, rather than completing a PFS as previously announced in an Ophir news release dated January 4, 2006 and discussed in greater detail in the Management Information Circular of Ophir dated February 1, 2006, each of which is available on the Company's SEDAR profile. This decision was made as a result of positive exploration results that indicated that the mineral resource could support a significant increase in project sizing. The current BFS is being conducted on a Phase One, 2,100 to 2,460 MW power station supported by a 7.5 to 9.0 Mt per annum coal mine.

The BFS will comprise a comprehensive series of studies by internationally recognized engineering and consulting firms independent of CIC, and will include:

- Resource modeling and mine planning by Snowden,
- Power station design and choice of technology by Black & Veatch,
- Infrastructure studies for mine, power plant and common infrastructure by Dowding, Reynard and Associates (Pty) Limited,
- Water and Environmental Studies by Environmental Resource Managers ("ERM") and Digby Wells and Associates,
- Groundwater studies by ERM,
- Surface water studies by Gibb Africa (Pty) Limited,
- Feasibility study on the NSC2 by Bigen Africa (Pty) Limited, and
- Financing plan and strategy.

In addition, a transmission and integration solution prepared in conjunction with Eskom and the Botswana Power Corporation ("BPC"), along with market and regulatory studies have been conducted by *Southern African Development through Electricity (Pty) Ltd.* ("SAD-ELEC"). These portions of the BFS are essentially complete and at the time the work was performed SAD-ELEC was independent of CIC. However, subsequent to the completion of these portions of the BFS, SAD-ELEC was acquired by CIC.

A key aspect of the BFS will be the conclusion of a Power Purchase Agreement ("PPA") with Eskom for substantially all of the power that is planned to be generated by Mmamabula. On May 16, 2006, the Company announced the signing of a memorandum of understanding with Eskom (*Section 7: Memoranda of Understanding*). It is anticipated that a PPA with Eskom would be for a period of approximately 40 years. A separate PPA is also expected to be signed with the BPC, which is anticipated to be structured in such manner that any power within BPC's allocated off-take rights that BPC elects not to take will automatically be taken by Eskom, up to the maximum capacity of the power plant. However, to be able to develop the Project to its maximum potential, the Project is dependent on concluding a long-term PPA with Eskom. CIC has a formalized relationship with Eskom through regular Project Steering Committee meetings and a formal mandated PPA negotiation process. Discussions to conclude these PPAs are ongoing and progressing well.

Another key aspect of the BFS will be the conclusion of an EPC Contract with an EPC contractor (or consortium of contractors) for the construction, on a lump sum turnkey basis, of the power plant and related infrastructure. The Company is advancing well in its discussions with a select group of EPC contractors following the launch of a formal EPC tender in December 2006. Due to substantial global demand for power plants, a robust construction market and tight supply for engineering services, EPC contract prices for power stations have increased significantly since the Project was initiated in 2005.

Environmental Impact Assessment ("EIA") studies for the proposed coal mine, power station, water pipeline, and related infrastructure, as well as for the planned transmission lines, prepared in accordance with environmental legislation of the Government of Botswana and ultimately forming part of the BFS, were submitted to the related Government of Botswana departments on the 7th of June 2007. Approval of these studies by the Department of Environmental Affairs of the Government of Botswana is anticipated to be finalized in the third quarter of 2007. These approvals are a prerequisite for the granting of a mining licence, a power generation licence, and surface rights at Mmamabula, as well as the acquisition of transmission line and water pipeline servitudes in Botswana. Environmental studies and social impact studies prepared in accordance with standards of the International Finance Corporation ("IFC"), the private sector arm of the World Bank Group, and related internationally-required compliance standards are ongoing. A final report is expected to be complete by the third quarter of 2007.

7 Memoranda of Understanding

On May 16, 2006, CIC announced the signing of a memorandum of understanding between the Company, Meepong Resources, and Eskom in regard to the Project. Under the terms of this memorandum of understanding, it is envisaged that the majority of the power generated by the Project will be sold to Eskom under a long-term PPA, subject to various terms and conditions including, *inter alia*, any off-take agreements with the BPC, the signing of an Inter-Governmental memorandum of understanding between South Africa and Botswana and an Inter-Utility memorandum of understanding between Eskom and BPC, and agreement with respect to tariff and quality of the power. On August 18, 2006, the Inter-Governmental memorandum of understanding referred to above was signed between the Governments of the Republics of Botswana and South Africa to support and facilitate the realization of the Project.

The Project Steering Committee mentioned in *Section 6: Bankable Feasibility Study* has been established to, *inter alia*, oversee the progress of the BFS, the negotiation of a long-term PPA between Eskom and Meepong Energy and related transmission and operation agreements. A Technical Committee with representatives of CIC, IPR, Eskom, and the BPC has been formed, to support the PPA negotiation process.

The Inter-Governmental memorandum of understanding provides for the co-operation and facilitation by the respective governments in the development of a thermal power station in the Mmamabula Coalfield in the Republic of Botswana, to supply electricity to the Republic of Botswana, the Republic of South Africa and the Southern African Power Pool. Signing of this document by the two governments provided an important step toward CIC realizing its objective of commencing commercial power production at Mmamabula in 2012 to supply the Southern African region.

On September 12, 2006, CIC announced the signing of a memorandum of understanding between CIC, Meepong Energy and the Government of Botswana. This memorandum of understanding sets out the process and requirements for CIC to obtain a licence to generate and supply electricity (a "Generation Licence") for Mmamabula, as well as stipulates the parties' intention to negotiate a comprehensive Project Development Agreement framework to facilitate the realization and financing of the Project.

On November 13, 2006, an Inter-Utility memorandum of understanding was signed between the BPC and Eskom regarding the development of the proposed "Mmamabula Coal Fired Power Station". This memorandum of understanding is aimed at the creation of an enabling environment for the carrying out of the BFS and business case for the possible development of the Project. As outlined in this memorandum of understanding, a Steering Committee was established which will establish work teams in respect of the PPA, transmission integration, and other matters as required. The completion of this memorandum of understanding represents confirmation of the strong support for the Mmamabula Energy Project and the intention of interested parties to work towards ensuring that the Project reaches commercial production in a timely manner.

8 Regulatory

CIC's ability to own and operate a power station as an independent power producer ("IPP") is dependent on its ability to negotiate and obtain a Generation Licence. CIC does not currently hold a Generation Licence although, CIC and Meepong and the Government of Botswana have signed a memorandum of understanding with respect to the proposed development of the Project (see *Section 7: Memoranda of Understanding*). This memorandum of understanding is based on the recognition by the Signatories of the requirement for new sources of baseload power generation in the Southern African region by 2011 and the potential for Mmamabula to address this shortfall. The process to be followed for awarding a Generation Licence to Meepong Energy and the Botswana requirements in this regard are outlined in the memorandum of understanding. Discussions between CIC and the Government of Botswana on the form and structure of the proposed Generation Licence are progressing as anticipated by the Company.

CIC created Meepong Energy as a Botswana subsidiary that will own and operate the coal-fired power plant. Meepong Resources will own and operate the proposed coal mining operation via Bon-Terra. It is proposed that Meepong Energy and Meepong Resources will enter into an arm's-length fuel supply agreement, which will then give CIC the opportunity to enter into separate commercial arrangements with third parties in respect of each entity. On October 18, 2006, CIC announced the signing of a binding Heads of Agreement with IPR regarding the proposed development of a power station at Mmamabula. On December 7, 2006, CIC announced that the Company had reached an Understanding in Principle with IPR regarding the development of the Mmamabula coal mine. CIC is currently working towards the completion of definitive agreements with IPR with respect to the mine and power station.

Upon the issuance of a Mining Licence, the Government of Botswana has the right to acquire a minority interest in new mines in Botswana (generally up to a maximum of 15% for non-diamond mines), on commercial terms with the Government of Botswana paying its pro-rata share of costs incurred, as well as expenditures to be incurred on the mine.

Over and above the Generation Licence and the Mining Licence that will be required by Meepong Energy and Meepong Resources respectively, other licences and permits will be required in Botswana related to land use, water supply, sorbent supply to the power plant (in the case that a local source of sorbent is used), environmental compliance, and other related issues. Various transmission-related agreements will also be required in Botswana. Meepong Energy, Meepong Resources, and their respective shareholders will also need to enter into an Implementation Agreement

with Government of Botswana and will possibly also require certain enabling legislation where a change to an existing act or legislation is required for the implementation of the Project.

At this point it is not expected that CIC and its subsidiary companies will require any licences in South Africa. However, Eskom will be required to secure various licences, consents, and regulatory approvals.

9 Selection of Development Partner

On October 18, 2006, CIC announced the signing of a binding heads of agreement (the "Agreement") between the Company and IPR, regarding the proposed development of a Phase One power station at Mmamabula. IPR is a FTSE100 company and one of the world's leading independent power generators, with a total installed capacity in excess of 18,500 MW in 20 countries worldwide. IPR has a market capitalization of approximately US\$13.5 billion and trades on the London Stock Exchange.

Under the terms of the Agreement, IPR agreed in principle to acquire 50% of the equity in the vehicle which will develop the Phase One power station. Currently it is estimated that the total development cost of the first phase power station will be approximately US\$6.0 billion (CDN\$6.4 billion). The Agreement is subject to various conditions being met and the concluding of definitive agreements. These definitive agreements are expected to be finalized by financial close and construction is scheduled to commence in the second calendar quarter of 2008, subject to a PPA being concluded, financing secured and all regulatory conditions being met.

On December 7, 2006, CIC announced the Company had reached an understanding in principle with IPR regarding the development of the Mmamabula Coal Mine. Currently, it is estimated that the total development cost of the first phase of the coal mine is US\$300 million (CDN\$320 million). The Government of Botswana is entitled to purchase up to a 15% interest in the mine, and if they so elect, would be required to contribute their pro-rata share of past and future exploration expenditures.

On March 26, 2007, CIC further announced that the Company had entered into a project development agreement (the "PDA"), subscription agreements and other related agreements with IPR. These agreements provide for the negotiation and execution of further agreements between the Company (and its affiliates) and IPR (and its affiliates) in order to achieve Financial Close of the Project.

10 Appointments

Adrian Meyer was elected to the Board of Directors of CIC Energy Corp on 1st June 2007 to replace Frank Crothers who resigned on the 28th May 2007.

On 1st July, 2007, Pieter du Toit was appointed as Executive Vice President, Coal to Liquids.

11 Critical Accounting Estimates and Accounting Policies

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

(a) Principles of Consolidation

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

(b) Translation of Foreign Currencies

CIC'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.

(c) Property and Equipment

Property and equipment are stated at cost and depreciated on a straight-line basis over five years after taking into account residual values.

(d) *Leasehold Improvements*

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

(e) *Mineral Assets*

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

(f) *Exploration Properties*

CIC considers its exploration costs to have the characteristics of plant and equipment. As such, CIC capitalizes all exploration costs that result in the acquisition and retention of resource properties or an interest therein. The amounts shown for exploration properties represent 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 in the pre-operating period. Once a project reaches commercial production, the exploration costs are amortized 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.

(g) *Income Taxes*

CIC accounts for deferred income taxes using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amount and the tax basis of 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 recognized 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 and 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.

(h) *Use of Estimates*

The preparation of financial statements in conformity with Canadian 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 date 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.

(i) *Loss per Share*

Loss per share ("EPS") is calculated using the weighted average number of shares outstanding during the period. 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.

(j) *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.

(k) *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.

(l) *Stock-based Compensation*

CIC has a rolling ten percent stock option plan and under that plan issues stock options to directors, officers, employees and key consultants from time to time. Options granted may be exercised during a period not exceeding ten years, subject to earlier termination under various circumstances. The options are non-transferable. The exercise price may not be less than the minimum price stipulated by applicable regulators.

CIC uses the Black-Scholes model to estimate a value for these options. This model, and other models which are used to value options, require inputs such as expected volatility, expected life to exercise and interest rates. Changes in any of these inputs could cause a significant change in the stock-based compensation expense charged in a period.

(m) *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.

12 Disclosure of Outstanding Share Data

The following details the share capital structure as at July 12, 2007. These figures may be subject to minor accounting adjustments prior to presentation in future consolidated financial statements.

	Expiry Date	Exercise price	Number	Total
Common Shares	N/A	N/A	48,218,111	48,218,111
Share Options	April 17, 2014	\$6.90	2,277,500	
	July 26, 2014	\$8.00	828,500	
	Nov 2, 2014	\$8.61	35,000	
		\$14.00	75,000	
	Dec 22, 2014	\$13.15	427,000	
	Mar 2, 2015	\$15.82	352,500	
	June 1, 2015	\$14.90	325,000	4,320,500
Common Shares issuable upon exercise of Warrants	Aug 31, 2008	\$8.06	150,000	
	Dec 8, 2014	\$11.00	400,000	
	Jan 1, 2009	\$11.00	100,000	
	Jan 1, 2015	\$11.00	550,000	
	Feb 1, 2015	\$11.00	400,000	
	Mar 1, 2015	\$14.00	225,000	1,825,000
Total Fully Diluted number of Shares				54,363,611

Financing Activities

On February 23, 2007, CIC completed the closing of a bought deal private placement with a syndicate of underwriters led by Westwind Partners Inc., along with Canaccord Capital corp. (the "Underwriters"). The Underwriters purchased, on a bought deal private placement basis, 2,200,000 common shares of the Company at a price of \$15.00 per share for aggregate gross proceeds of \$33,000,000.

Proceeds from this financing is intended to be used to conduct further drill testing of Mmamabula, finance a BFS and for general corporate purposes. The ability to develop Mmamabula will depend on the Company's continued ability to raise necessary equity and/or debt financing and/or enter into joint venture agreements. If the Company is unable to raise or access the required funds, it may seek strategic alternatives to

develop the Project. The Company remains confident that it will be able to obtain the necessary financing to develop and operate an integrated mine-mouth power station at the Project.

13 Capital Expenditure on Exploration Properties

EXPLORATION PROPERTIES

	Balance at beginning of year	Three months to May 31, 2007	Six months to May 31, 2007	Balance May 31, 2007
Mmamabula Energy Project (Botswana)	\$48,103,307	\$7,919,877	\$13,777,522	\$61,880,829

The Company is engaged in the development and operation of the Mmamabula East and Mmamabula South coal properties located in the Mmamabula coalfield. The total amount includes exploration and relevant legal costs capitalized (\$57,655,634) as well as the cost of purchasing 100% shareholding in Meepong Resources (\$4,225,195).

MINERAL ASSETS

	Balance beginning of year	Additions	Balance May 31, 2007
Mmamabula Mine Development	\$3,131,931	\$ -	\$3,131,931

Mmamabula Mine Development

CIC and 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, 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 project development work, over and above direct exploration costs carried out on the mine project.

14 Results of Operations

(in thousands of \$)

Review of Certain Operating Expenses

	Three months to May 31, 2007 (unaudited)	Three months to May 31, 2006 (unaudited)	Six months to May 31, 2007 (unaudited)	Six months to May 31, 2006 (unaudited)	Year ended November 2006 (audited)
Personnel expenses	1,434	156	2,089	307	1,068
Office & general expenses	1,122	578	1,789	1,367	2,284
Foreign exchange profit / (loss)	(174)	(12)	601	109	528
Interest received	384	6	621	18	1,116

CIC is a development stage enterprise and devotes all of its efforts in the development of the Mmamabula East and Mmamabula South coal fields and to the establishment of mine-mouth power stations that will supply electricity to the Southern African region. Planned operations have not yet commenced and operating revenue has not yet been generated.

The loss before tax for the six month period ended May 31, 2007 was \$3,714,656 compared to the loss of \$1,677,658 for the six month period ended May 31, 2006. The increase in the loss recorded is due to substantially increased administration and personnel costs as a result of a

substantial increase in the number of management and staff and the need to take on additional office premises. The Company recorded a loss of \$0.08 per share (basic and diluted) for the six month period ended May 31, 2007.

15 Summary of Quarterly Results

	Three months to May 31, 2007 (unaudited)	Three months to February 28, 2007 (unaudited)	Three months to November 30, 2006 (unaudited)	Three months to August 31, 2006 (unaudited)	Three months to May 31, 2006 (unaudited)	Three months to February 28, 2006 (unaudited)	Period from March 10, 2005 to November 30, 2005 (audited)
Total Income	\$383,892	\$237,370	\$296,920	\$801,008	\$6,234	\$12,163	\$12,568
Net loss	\$(2,690,918)	\$(1,023,738)	\$(183,775)	\$(702,445)	\$(871,098)	\$(806,560)	\$(701,024)
Basic and diluted loss per share	\$(0.06)	\$(0.02)	\$(0.01)	\$(0.02)	\$(0.04)	\$(0.03)	\$(0.04)

16 Financial Condition, Cash Flow, Liquidity and Capital Resources
(in thousands of \$)

Cash Flow Highlights

	Three month period to May 31, 2007	Six month period to May 31, 2007	Year ended November 30, 2006
Operating activities	(2,123)	(4,750)	(1,048)
Financing activities	11,012	45,627	68,679
Investing activities	(8,132)	(14,437)	(45,267)
Beginning cash balance	53,594	27,911	5,548
Net cash for the period	757	26,440	22,363
Ending cash balance	54,351	54,351	27,911

For the six month period ending May 31, 2007 operating activities utilized \$4,750,218 of cash primarily due to cost of administration and the increase in personnel.

Financing activities for the six month period generated \$45,627,264 as a result of the bought deal private placement in February 2007 and the exercise of 1,915,090 brokers' warrants and 299 000 share options in the reporting period.

Investing activities for the six month period utilized \$14,436,682 of cash for the period due to exploration activities on Mmamabula and the acquisition of SAD-ELEC (cash component \$1,046,381)

Excluding any deposits, advance payments or reservation fees that may be required to be paid in order to secure EPC services, the Company estimates total expenditure over the next twelve months to be less than the cash balance of \$54,351,329 at May 31, 2007

After Financial Close, working capital and capital expenditure for the operations will be financed out of limited recourse project financing from senior lenders (and equity from equity holders) and thereafter from the profits of the project companies. "Financial Close" being the time at which the execution of definitive project loan agreements and the satisfaction and/or waiver of all conditions precedent to the advance of funds thereunder.

17 Related Party Transactions

Included in the consolidated financial statements are payments made to companies under the control or significant influence of officers and directors of CIC. 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:

	Three months to May 31, 2007	Three months to May 31, 2006	Six months to May 31, 2007	Six months to May 31, 2006
Administrative services ^a	\$79,236	\$21,801	\$159,680	\$102,665
Consideration paid and accrued to original shareholders of MRPL ^b	\$ -	\$4,225,195	\$ -	\$4,225,195

a. CIC carries on business outside Canada. CIC purchases administrative, advisory and investor relations 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.

b. The consideration paid to acquire 100% MRPL from the original shareholders in terms of the Shareholders' Agreement.

On August 1, 2005, Coal Investment Corp. entered into an administrative service agreement (the "Agreement") with Tau Capital Corp. ("Tau"); the obligations of such Agreement were adopted by CIC. The Agreement 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 Coal Investment Corp. to pay Tau a monthly service fee of US\$18,000 until the listing of the Company's shares on a Canadian stock exchange. Subsequent to listing of CIC's shares on the TSX on March 23, 2006, the Agreement provides that Tau shall be paid a monthly service fee of US\$23,000 for administration, advisory and investor relations services. This agreement can be terminated by CIC giving 180 days written notice. For the six month period ended May 31, 2007 fees paid to Tau for administrative services were \$159,680 (May 2006: \$102,665).

18 Events Subsequent to May 31, 2007

On 11 June 2007, CIC Energy Corp. issued a news release announcing an update on the Mmamabula Energy Project as well as providing an update on events subsequent to the annual meeting of shareholders on May 28, 2007 related to the Company's stock option plan. This news release included an update:

- an update on discussions between the Company and its 50% partner IPR;
 - with South African and international lenders, stating that the discussions were progressing well;
 - with EPC contractors, stating that discussions were advancing well; and
 - with Eskom Holdings Limited and Botswana Power Corporation regarding the Power Purchase Agreements stating that discussions were progressing well;
 - the announcement of the consideration of a coal to liquids plant at Mmamabula;
 - the announcement that CIC and International Power were evaluating of the option of selling down a small portion of equity stake in order to access low-cost debt;

The announcement of the appointment of Sherman & Sterling LLP and Webber Wentzel Bowers as lenders counsel for CIC Energy Corp. regarding Mmamabula for international and South African matters respectively;

The announcement of the filing of the final EIA studies on the 7th of June 2007 for the proposed coal mine, power station, water pipeline, and related infrastructure, as well as for the planned transmission lines, prepared in accordance with environmental legislation of the Government of Botswana and ultimately forming part of the BFS; and

The announcement that the board passed a resolution on the stock option plan subsequent to the annual meeting to keep the plan maximum at 10% of the number of common shares issued and outstanding.

In June 2007, in accordance with the agreements entered into with IPR and/or affiliates of IPR dated 23 March 2007 in respect of the development of the Project, affiliates of International Power subscribed for shares in each of Meepong Energy (Mauritius) (Pty) Ltd and Meepong Resources (Mauritius) Pty Ltd, with the result that each of these companies is indirectly 50% owned by IPR. Pursuant to the 23 March 2007 agreements, the Company and IPR have agreed to negotiate and enter into one or more additional share subscription agreements prior to the financial close of the Project's debt funding. Such additional share subscription agreements will provide for the additional share subscription amounts to be paid by each of the parties in order to fund Phase One of the power station. In addition, the Company and IPR have agreed to negotiate a development fee agreement to be entered into by Meepong Resources and CIC or one of its affiliates in respect of the payment of a development fee in relation to

the development of the Mmamabula Coalfield (which will be in addition to any development fees payable by Meepong Energy in relation to the development of the power station).

19 Risks

The operations of CIC are high risk due to the scope, nature and stage of development of the Mmamabula Energy Project. The following risk factors could materially affect CIC's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to CIC. CIC may face additional risks and uncertainties other than those listed below, including, risks and uncertainties that are unknown to CIC or risks and uncertainties that CIC now believes to be unimportant, which could have a material adverse effect on the business of CIC. If any of the following risks actually occur, the business, financial condition and/or results of operations of CIC could be negatively affected.

CIC is currently engaged in the potential development of a single substantial integrated mine-mouth coal-fired power plant, the Mmamabula Energy Project. Due to its envisaged scale, the Project is dependent on the ability of CIC to conclude its joint venture arrangements with IPR (which will be integral to negotiating and obtaining the requisite project funding, putting into place arrangements for the operation and maintenance of the power plant and concluding a PPA with Eskom), to obtain the requisite project financing on favourable terms and on a timely basis, to conclude all other necessary agreements, to obtain all necessary licences, consents, approvals and concessions from the Government of Botswana, and, ultimately, to operate the mine and the power plant in order to produce the electricity required to be delivered pursuant to the PPA with Eskom. Eskom is the only potential power purchaser in the region with the capacity to purchase all of the power produced by the Project. The loss of certain contracts could have a material adverse effect on CIC's operations and business. The ability to secure such contracts in the first instance is beyond the control of CIC and, furthermore, due to the planned scale of operations, CIC, whether directly or indirectly, is dependent on Eskom for the conclusion of a PPA.

Although CIC has entered into a number of memoranda of understanding and heads of agreement concerning the development of the Project (including a memorandum of understanding with Eskom and certain agreements with IPR), if CIC fails to enter into all requisite definitive agreements (including all of the definitive agreements with IPR), CIC will be unable to proceed with the development of the Project.

In order to finalize the PPAs with Eskom and BPC and to obtain financing for the Project, certain concessions may need to be obtained from the Government of Botswana, including tax concessions and the extension of the prescribed term of the mining licences to be applied for in respect of the Mmamabula East and Mmamabula South properties such that the licences will terminate no earlier than the expiry of the PPAs. Failure to obtain the foregoing concessions may have a material adverse impact on the viability and possible profitability of the Project and on CIC's financial condition.

In order to obtain project financing, a fixed price EPC contract will be required to be entered into with a reputable firm. Due to increased worldwide demand for the construction of power plants, the EPC market is very competitive, the services of EPC contractors are in short supply and the costs of EPC services have been increasing. As a result, CIC may not be able to conclude an EPC contract on favourable terms. In order to proceed with obtaining funding, CIC will be required to negotiate the terms of such EPC contract in advance and it is likely that the fixed price thereunder will be guaranteed for a limited period of time. If CIC is unable to reach Financial Close within such period, the fixed price of such EPC contract may have to be re-negotiated, which would likely lead to delays and increased costs, which may, in turn, adversely affect the ability to proceed with the development of the Project. Lack of capacity in the EPC market may also lead to delays in the completion of contracts, achieving Financial Close and/or in the commencement of commercial power production. In order to secure EPC services, CIC may also have to pay non-refundable deposits in respect of the purchase of long lead-time equipment. In the event that CIC is not able to reach Financial Close in the expected time frame, such deposits may be lost, which would have a negative impact on CIC's financial condition.

The ownership and operation of the proposed power station is dependent on the ability of Meepong Energy to obtain a Generation Licence, which will be subject to the fulfillment of a number of conditions, including obtaining the necessary equity and debt financing for the power plant, changes in regulations or relevant legislation and the discretion of government authorities. The inability to obtain a Generation Licence would have a material adverse effect on CIC's operations and business. If such a Generation Licence is obtained, CIC's profits, if any, will be related to the price of electricity that is supplied to Eskom and BPC under PPAs. The price and amount of power that may be sold under these PPAs is currently under negotiation and, as such, is uncertain as at the date hereof. The failure to conclude a PPA with Eskom on favourable terms could result in the Project being commercially unfeasible.

For the proposed electricity power station to deliver electric power, it will be necessary to construct and operate new power transmission lines to connect to the Eskom and BPC networks. No assurance can be given that the optimal power line routing can be established, or that it can be established without incurring excessive cost. CIC can also not guarantee that Eskom will be able to construct the necessary power transmission infrastructure in South Africa in time for the Project to commence operations as envisaged. As well, there is also a dispatch risk for the power that is generated, depending on the current status of the transmission network and other generation assets on the network. Unavailability of transmission networks to evacuate the power produced by the power plant, as well as other disturbances on the interconnected networks in the Southern African Power Pool could reduce the amount of electricity sold and as such impact on CIC's financial results.

The ability to generate power and to sell the power to Eskom (and to a lesser extent BPC) is dependent on factors beyond the control of CIC, including, but not limited to, the completion of the development of the Project within budget and on schedule. Anything which adversely affects price and volume (of either coal or power) and the development of the Project could adversely affect the business, financial condition or results of operations of CIC.

Credit support may be required from the Government of South Africa and the Government of Botswana in order to support the financial obligations of each of Eskom and BPC under their respective PPAs. The inability to obtain such credit support could adversely affect the ability to secure funding for the Mmamabula Energy Project.

Substantial expenditures are required to establish proven and probable reserves through additional drilling to determine the optimal extraction method for the coal seams, the beneficiation process needed to achieve the requisite coal quality and, in the case of new properties, to construct mining and processing facilities. There is no assurance that the BFS will be positive and support a decision to develop the Project.

Development projects have no operating history upon which to base estimates of future cash operating costs. Particularly for development projects, resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies which derive estimates of cash operating costs based upon anticipated tonnage and grades of coal to be mined and processed, ground conditions, the configuration of the coal seams, expected recovery rates of coal from the seams, estimated operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual cash operating costs and economic returns will differ significantly from those estimated for a project prior to production. New mining operations may experience unexpected problems during the start-up phase and delays in the commencement of production can occur.

Establishment of a coal reserve and development of a coal mine does not assure a profit on the investment or recovery of costs. In addition, geological complexity, mining hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from a mine. These conditions include delays in obtaining governmental approvals, licences or consents, or other geological, engineering and mechanical conditions. While diligent mine supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

The Project will be subject to a number of risks and hazards, generally, including adverse environmental and climatic conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory regime, natural phenomena, flooding, delays or failures in obtaining required licences, permits and authorizations, supplies, machinery, equipment or labour and other risks typically associated with mine development and operations. Unknown factors with respect to mining conditions and power generation activities are also involved. Existing and future environmental laws may cause significant additional expenses, capital expenditures, restrictions and delays in the development and operation of the Project, the extent of which cannot be predicted and which may well be beyond CIC's capacity to fund. Environmental and social impact studies may also be required for some operations, and significant fines and clean-up responsibilities may be assessed for companies causing damage to the environment in the course of their activities.

Although CIC maintains liability insurance in an amount that it considers consistent with industry practice for a company in the development stage, the nature of these risks is such that liabilities could exceed policy limits, in which event CIC could incur significant costs that could have a material adverse effect upon its financial condition.

Coal mining, coal processing and power production activities of the scale envisaged can be demanding on water resources. Sulphur content must be reduced in accordance with World Bank emission standards. The inability to secure access to water and sorbent in sufficient quantities and/or at cost effective prices may have a negative impact on the Project.

CIC's revenue from operations is expected to be received in South African Rand, while a material portion of its operating expenses and a material portion of its ongoing capital equipment replacement costs are expected to be incurred predominantly in foreign currencies. Accordingly, foreign currency fluctuations may adversely affect CIC's financial position and operating results. CIC does not currently engage in foreign currency hedging activities for operational purposes or otherwise. It is possible that significantly higher inflation in the future in Botswana, without a concurrent devaluation of the Pula against the South African Rand, and/or the devaluation of the South African Rand against foreign currencies could have a material adverse effect upon CIC's results of operations and financial condition.

Due to South African statutory limits which limit the amount that a single lender is able to lend to a single borrower as well as the fact that the Rand market is more limited and less liquid than other "hard currency" markets, including the US\$ market, there is a risk that sufficient Rand to finance the Project may not be available and that CIC may have to avail itself of alternative funding structures which may increase transaction costs and add additional complexity and attendant risk to the funding of the Project.

The development of CIC's properties and the construction of mining facilities and commencement of mining operations and the construction of power generation facilities and power transmission and integration infrastructure and the commencement of power production activities will require substantial additional financing. There can be no assurance that financing for the Project will be available or, if available, will be available on favourable terms or in a timely manner. Failure to obtain sufficient financing when needed will result in a delay or indefinite postponement of

development or production on the Project and will have a material adverse effect on CIC's business, financial condition and results of operations. The only current source of funds available to CIC is through the issuance of equity or debt, the monetization of any future development fee that CIC is or may become entitled to or the entering into of joint venture agreements (such as those contemplated to be entered into with IPR).

CIC's operations and its ability to hold various mineral rights require licences, permits and authorizations and, in some cases, renewals of existing licences, permits and authorizations from various governmental and quasi-governmental authorities. CIC's ability to obtain, sustain or renew such licences, permits and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable governmental and quasi-governmental bodies. No assurance can be given that CIC's properties are not subject to undetected or unregistered interests or claims, whether in contract or tort, which could be material and adverse to it. Additionally, the Project will have significant abandonment and site restoration obligations.

20 Internal Control Over Financial Reporting

No changes were made to the Company's internal control over financial reporting during the interim period ended May 31, 2007, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

21 Outlook

During fiscal 2007, CIC intends to continue the development of the Project with Financial Close anticipated at year end and Phase One construction expected to commence in the second calendar quarter of 2008. In particular, during fiscal 2007, the Company intends to complete all studies and plans required in connection with the BFS (including EIA studies, a comprehensive mine plan, a water resource study and a comprehensive financial model). CIC also expects to obtain all requisite environmental, water supply, mining and generation licences and permits, and complete the Botswana Implementation Agreement with the Government of Botswana. The company also intends to negotiate and enter into the PPAs with Eskom and BPC and negotiate and enter into an EPC contract.

22 Additional Information

Additional information relating to CIC, including the Company's annual information form for the financial year ended November 30, 2006, has been filed on SEDAR and may be accessed at www.sedar.com.

Directors and Officers of CIC Energy Corp.

The board of directors of CIC consists of the following individuals: Sandra Cowan, Adrian Meyer, Mandla Gantsho, Reuel Khoza, Gregory Kinross, Deenadayalen Konar, Blackie Marole, and Warren Newfield. Reuel Khoza and Warren Newfield serve as Co-Chairs of the board of directors.

Senior management of CIC includes: Gregory Kinross as President and Chief Executive Officer, Sue Myburgh as Chief Financial Officer, and Tore Horvei as Chief Operating Officer.

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BSE name: CIC ENERGY

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Corporation Records

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