



CIC ENERGY CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended May 31, 2008

Dated: July 15, 2008

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Unless otherwise indicated all funds in this MD&A 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. ("CIC" or the "Company") 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 based on information currently available to CIC. Such forward-looking statements include, among other things, statements relating to the Mmamabula Energy Complex, consisting of the reconfigured Mmamabula Energy Project, the CTH Project and the Export Coal Project (as each is defined herein), with respect to estimates and/or assumptions in respect of mineral resources, mineral resource qualities, targets, future production, goals, scheduling, 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: the failure of the Company to successfully design a viable alternative configuration of the Mmamabula Energy Project and/or failure to complete a positive bankable feasibility study thereon; failure to complete, or delays in the completion of, positive feasibility and value-chain market studies on the CTH Project; failure to complete, or delays in the completion of, positive feasibility and market studies on the Export Coal Project, including a failure to develop a viable transportation solution to export coal; the grade, quality and recovery of coal which is mined varying from estimates (the mineral resource figures referred to herein 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 or equity financing for the implementation of the reconfigured Mmamabula Energy Project, the CTH Project and/or the Export Coal Project on favourable terms or at all; Rand liquidity and constraints under applicable South African law and/or practice on the amount that a single lender is permitted to lend a single borrower; volatility of and sensitivity to market prices for coal and prices (market or otherwise) for electricity; changes in anticipated demand for power in southern Africa; changes in equity markets; capital and operating costs varying significantly from estimates; environmental and safety risks, including increased regulatory burdens; further delays in the development of the reconfigured Mmamabula Energy Project, the CTH Project and/or the Export Coal Project caused by unavailability of equipment, labour or supplies, limited capacity among engineering, procurement and construction ("EPC") firms (and resulting less attractive EPC contract terms being made available), climatic conditions or otherwise; insufficient transportation and transmission capacity; dispatch risk; geological and mechanical conditions; delays or failures in obtaining regulatory permits and/or licences (and renewals thereof) respecting mining, power generation and/or power transmission lines and other transportation and industrial activities; the existence of undetected or unregistered interests or claims, whether in contract or tort, over the properties of the Company and its subsidiaries and joint venture companies; availability of water and sorbent; inability to enter into power purchase agreements and/or transmission agreements with Eskom Holdings Limited and/or Botswana Power Corporation or other requisite agreements, including preliminary and/or definitive fixed price contracts with reputable EPC firm(s) and other agreements required to facilitate the development, operation and financing of the Mmamabula Energy Project, on favourable terms or at all; inability to obtain tax concessions from the Government of Botswana; inability to obtain requisite credit support from the Government of South Africa and/or the Government of Botswana in relation to the Mmamabula Energy Project; failure to enter into technology, intellectual property licensing and other agreements required to develop the CTH Project; failure to enter into agreements, including export coal purchase agreements, required to develop the Export Coal Project; amendments to the laws of South Africa, Botswana or Namibia that may be prejudicial to the development of the Mmamabula Energy Project, the CTH Project and/or the Export Coal Project, or the failure to obtain amendments to any such laws that may be necessary to implement the Mmamabula Energy Project, the CTH Project and/or the Export Coal Project; political risks arising from operating in Africa; lack of markets for the Company's coal resources; 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 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 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 Complex will be produced. Such estimates are expressions of judgment 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 believes that the current mineral resource estimates for the Mmamabula Energy Complex are well established, by their nature resource estimates are imprecise and depend, to a certain extent, upon statistical inferences 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.

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.

## 1. Introduction

The common shares of CIC Energy Corp. ("**CIC**" or the "**Company**"), formerly Coal Investment Corp., 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.

This Management's Discussion and Analysis ("**MD&A**") has been prepared to give shareholders an assessment of not only what the Company has accomplished during the three and six months ended May 31, 2008, but also what management initiatives have been undertaken to increase shareholder value in the future.

Additional information relating to CIC, including the Company's Annual Information Form for the year ended November 30, 2007, has been filed on SEDAR and may be accessed at [www.sedar.com](http://www.sedar.com).

The discussion and analysis of the financial status of CIC for the three and six months ended May 31, 2008 should be read in conjunction with the reviewed consolidated financial statements and related notes for CIC and its wholly-owned subsidiaries for the three and six months ended May 31, 2008. Historical results, including trends which might appear, should not be taken as indicative of future results.

All financial information reported herein for the three and six months ended May 31, 2008 has been reviewed but not audited.

## 2. Description of the Business and Summary of Recent Activities

CIC's principal business objective is to develop the Mmamabula Energy Complex which is planned to consist of a coal fired thermal power station project (the "**Mmamabula Energy Project**" or "**MEP**"), a coal gasification and hydrocarbon production project (the "**Coal-to-Hydrocarbons Project**" or "**CTH Project**") and an export coal project (the "**Export Coal Project**"). These projects are planned to be developed on the basis of two non-contiguous greenfield coal properties located in the Mmamabula Coal Field (as defined below) in southeastern Botswana. Shareholder value through the generation of cash flow is planned to come from the direct development of these projects which are being aggressively pursued.

The two coal properties, which are held 100% by Meepong Resources (Proprietary) Limited ("**Meepong Resources**"), consist of the 510.70 square kilometre ("**km<sup>2</sup>**") Coal Prospecting Licence No. 11/2004 ("**Mmamabula East**") and the 135.89 km<sup>2</sup> Coal Prospecting Licence No. 75/2002 ("**Mmamabula South**") together comprise the "**Mmamabula Coal Field**". Meepong Resources is currently exploring and developing the Mmamabula Coal Field with the intention of defining coal resources which will be suitable for each of the Mmamabula Energy Project, the CTH Project and the Export Coal Project.

Mineral resources have been reported by CIC for three areas within Mmamabula East (namely the Mookane Block, the 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 Mmamabula Energy Complex site is located within close proximity to road, rail, water and power.

*(a) Mmamabula Energy Project*

The southern African region is currently experiencing power shortages on a regular basis and major baseload 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 Holdings Limited ("**Eskom**"), are promoting new projects and urgently require additional power to meet their requirements. The Mmamabula Energy Project is intended to address part of the projected power shortfall, with the objective that the MEP be developed as a phased project to commence providing electricity to the southern African power grid in 2013 subject to, among other things, the timely conclusion of an Engineering, Procurement and Construction ("**EPC**") Contract.

In a news release of May 23, 2008 the Company announced that due to the challenging EPC market globally the sponsors of the Mmamabula Energy Project (CIC and International Power plc) had approached Eskom and Botswana Power Corporation ("**BPC**") with revised project risk allocations. The revised risk allocations were intended to facilitate the financing of the MEP on a non-recourse basis as previously planned.

The Company also announced on May 23, 2008 that the completion of the negotiations related to the revised risk allocations may impact the MEP schedule of beginning to provide electricity to the southern African power grid in 2013. Additionally the Company reiterated that EPC contract prices for power stations were increasing and costs for the MEP were expected to rise in line with industry trends.

In a news release of June 23, 2008 the Company announced that the MEP could not proceed as initially envisaged with the preferred EPC contractor. This was an outcome of the conclusion of discussions with Eskom and BPC on the revised EPC risk allocations as required by the preferred EPC contractor (as discussed in the May 23, 2008 news release). The MEP sponsors were unable to reach an agreement for a turnkey EPC contract, on terms and conditions acceptable to potential MEP lenders, within the timeframe specified by the preferred EPC contractor. This agreement was necessary to secure the manufacturing slots for long lead-time equipment (such as boiler and turbines).

The Company also announced on June 23, 2008 that the Company intends to assess and consider alternative configurations for the MEP to supply power to the region's growing needs, with one alternative being downsizing the MEP to a smaller power station.

A Bankable Feasibility Study ("**BFS**") was being conducted on a 2,100 to 2,460 megawatt ("**MW**") power station supported by an approximately 7.5 to 9.0 million sales tonnes per annum coal mine. (Sales tonnes refers to coal delivered after the washing process to remove Sulphur and Iron.) As a result of the decision to assess and consider alternative configurations for the MEP, revisions to the BFS will be required. This work will be conducted once the new MEP configuration has been determined.

A key aspect of the BFS on a 2,100 to 2,460 MW power station was expected to be the conclusion of a power purchase agreement ("**PPA**") with Eskom for the majority of the power that was planned to be generated by the Mmamabula Energy Project. A separate PPA is expected to be signed with BPC for the balance of the capacity not taken up by Eskom. In the event that the Company is successful in determining a new project configuration that is acceptable to Eskom and/or BPC, the Company anticipates that PPAs would be executed with Eskom and/or BPC based on the forms of such documents that were previously under negotiation.

Environmental Impact Assessment ("**EIA**") studies for the previously proposed 7.5 to 9.0 million sales tonnes per annum coal mine, along with the 2,100 to 2,460 MW power station and certain related infrastructure, as well as for the planned

transmission lines, were prepared in accordance with environmental legislation of the Government of Botswana and were submitted to the related Government of Botswana departments on June 7, 2007. Approval of these studies (related to a 2,100 to 2,460 MW power station) by the Department of Environmental Affairs of the Government of Botswana was received. CIC intends to submit amended environmental documentation to the Government of Botswana, once a new configuration for the MEP is determined. Certain EIA studies had remained to be completed related to groundwater wellfields and the transport corridor. These approvals are a prerequisite for the granting of a mining licence, an independent power producer licence, and surface rights required for the Mmamabula Energy Project, as well as the acquisition of transmission line and other necessary servitudes in Botswana. Environmental Social and Health Impact Assessment ("ESHIA") 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.

The ability of the Company to complete the Mmamabula Energy Project is subject to various risks and uncertainties. Please see "*Forward-Looking Statements*" and *Section 14: Risks*, for further details.

*(b) CTH Project*

CIC's initial market study for the CTH Project has been completed. This study looked at the potential market opportunities for the different downstream products that could be produced from synthesis gas ("syngas") that results from gasifying coal. Potential downstream products include chemicals and fuels. This initial market study concluded that there are several opportunities to sell potential downstream products to the Southern African Development Community and international markets.

A second phase detailed value-chain study, which includes a more comprehensive market study, is now underway by a major global company in the oil and gas sector. This study is expected to be completed in the third quarter of 2008.

CIC is also currently conducting three separate technical feasibility studies on the CTH Project. The first technical study is being undertaken by Jacobs Engineering and relates to the feasibility of production of syngas from coal of the type available at the Mmamabula Coal Field. The second technical study is being undertaken by Toyo Engineering of Japan and relates to the manufacturing of a specific fuel end-product from the syngas. The third technical study is a pre-feasibility study being conducted by a partnership between Lategan & Bouer and VGI (both from South Africa) evaluating a multi-product pipeline from the Mmamabula Energy Complex site to the Gauteng area in South Africa. These studies are expected to be completed before the end of the year.

The Company also recently entered into an option agreement with a major global supplier of coal gasification technology for the grant of a licence over coal gasification intellectual property.

The ability of the Company to complete the CTH Project is subject to various risks and uncertainties. Please see "*Forward-Looking Statements*" and *Section 14: Risks*, for further details.

*(c) Export Coal Project*

A mine, rail and port pre-feasibility study is underway for the Export Coal Project to investigate the exporting of seaborne traded A grade thermal coal from the Mmamabula Energy Complex site to a port on the west coast of southern Africa. An approximately 1,500 kilometre rail line would have to be constructed from the Mmamabula Energy Complex site in a westerly direction through Botswana and Namibia. At the Namibian coast, a coal terminal and loading facility is envisaged to be built to be able to load ocean going vessels.

The ability of the Company to complete the Export Coal Project is subject to various risks and uncertainties. Please see "*Forward-Looking Statements*" and *Section 14: Risks*, for further details.

### 3. Qualified Persons and Technical Report

Exploration at the Mmamabula Coal Field is being conducted under the supervision of Ms. Lesley Jeffrey, who is an employee of Bon-Terra Mining (Proprietary) Limited ("**Bon-Terra**"), a subsidiary of the Company. Ms. Jeffrey is registered as a member of the Geological Society of South Africa and as a Professional Natural Scientist with the South African Council for Natural Scientific Professions; she is a "Qualified Person" as such term is defined in National Instrument 43-101 ("**NI 43-101**"). Ms. Jeffrey has reviewed and approved the technical information in this MD&A.

An independent technical report on the Mmamabula Coal Field entitled "CIC Energy Corp.: Mmamabula Project, South-eastern Botswana, Project No. J912, National Instrument 43-101 Technical Report" dated June 1, 2007 (the "**Fifth Technical Report**"), containing information about the mineral resource estimates for the Mmamabula Energy Complex 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](http://www.sedar.com). The "Qualified Person", as such term is defined in NI 43-101, responsible for the preparation of the Fifth Technical Report was Mr. David J Arnott. Mr. Arnott 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 Fifth Technical Report were prepared, was an employee of Snowden Mining Industry Consultants ("**Snowden**").

CIC is targeting the release of an updated NI 43-101 mineral resource estimate for its Mmamabula Coal Field in the third quarter of 2008. Please see *Section 5: Exploration & Mineral Resource Estimates*, for further details.

### 4. Exploration Properties

#### (a) *Adjacent Properties*

The Mmamabula Energy Complex 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 19 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 northeast 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 (PL11/2004) was granted on April 1, 2004 with an original validity of three years. In December 2006 an application for a mining licence was submitted by Meepong Resources to the Government of Botswana. As of May 31, 2008, as a result of the ongoing assessment by the Government of Botswana of the mining licence application, the validity of the coal prospecting licence had been extended to June 30, 2008. Subsequent to May 31, 2008 the validity of the coal prospecting licence was further extended to September 30, 2008. Following the receipt of such extension, Meepong Resources submitted an application for renewal of the prospecting licence for a period of two years. Please see *Section 5: Exploration & Mineral Resource Estimates*, for further details.

Phase I drilling was completed in February 2006 and concentrated in the Mookane Block. Since then drilling has consolidated knowledge of local structures in the Mookane Block: the position of the southern subcrop of both the D1 and M2 seams has been better defined and an area of seam dip variation has been further investigated. Additional closely-spaced structural drilling along the main underground development has now been completed; the information gathered from

this drilling will assist with the positioning of and detailed design of the mine portal and main development. A further series of closely-spaced boreholes will shortly be drilled along a north-south orientation (approximately perpendicular to the planned main underground development) to identify possible structural features that may impact on mining.

A Phase II drilling program, which concentrated on the Dovedale Block, was completed at the end of July 2006. A further twenty confirmatory boreholes have been drilled for this Block and the level of certainty in the east of Dovedale adjoining the Border Block has been improved.

Phase III drilling on the area in between Mookane and Dovedale (i.e. the Serorome Block) was completed in September 2007; the data as been incorporated into the geological model. Further drilling to obtain quality information for the "Torbanite area" (around the Serorome/Dovedale boundary) is planned. This area has been provisionally earmarked for the CTH Project.

A Phase IV drilling program has been undertaken on the Border Block in the easternmost portion of the property and was expected to be completed by the end of March 2008. However, unseasonably heavy rains have delayed the completion of this phase of drilling; approximately 16 holes remain to be drilled. This work will be completed as soon as practicable.

In the early stages of exploration, the D2 and D3 seams overlying the D1 seam were discarded as potential resource due to inferior quality and inconsistent seam thickness. However, with an opencast mining option being evaluated (as a complement to underground mining), blending of the D2 and D3 seams with the M2 and D1 seams may produce a final product with acceptable qualities for power generation and gasification. In order to evaluate this possibility, 45 additional boreholes were drilled in the Mookane area. The laboratory results are pending. In addition, the D2 and D3 seams have been included in the sampling and analysis batches of all holes drilled since October 2007. Although the full set of laboratory results has not yet been received, detailed examination of those already available has commenced with the aim of identifying exploitable coal.

(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 (PL75/2002) was granted in July 2005 and was 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 of May 31, 2008, as a result of the ongoing assessment of the mining licence application, the validity of the prospecting licence had been extended to June 30, 2008. Subsequent to May 31, 2008, the validity of the coal prospecting licence was further extended to September 30, 2008. Following the receipt of such extension, Meepong Resources submitted an application for renewal of the prospecting licence for a period of two years. Please see *Section 5: Exploration & Mineral Resource Estimates*, for further details.

Exploration drilling at Mmamabula South by Meepong Resources as part of the Phase II and III exploration programs is complete. The current mineral resource estimates for Mmamabula South are summarized in *Section 5: Exploration & Mineral Resource Estimates*.

(d) *Water supply*

CIC has assessed the water demands of the Mmamabula Energy Complex and potential sources of water, although final water demand can only be ascertained upon completion of design specifications for the relevant projects, including mine development. As part of CIC's assessment, 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 1,500km<sup>2</sup>. 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 modeling that has simulated the development and operation of a production wellfield within 20 kilometres of the Mmamabula Energy Complex site. The results of this modeling study, corroborated by independent review by Government of Botswana water authorities and international peer reviewers, indicated that there are sufficient ground water resources available to supply the Mmamabula Energy Complex with 12 million cubic meters of water per year for a period of 40 years.

It is now anticipated that the water requirements will be sourced primarily from groundwater from production wellfields developed as part of the Mmamabula Energy Complex. On September 10, 2007, the Company was granted groundwater abstraction rights from the Water Apportionment Board in Botswana in support of the water requirements for the Mmamabula Energy Project. The Company intends to apply for additional groundwater abstraction rights in the future once those water requirements have been determined. The wellfield water may later be complemented by water sourced from the Phase 2 North South Water Carrier that is currently being developed by the Government of Botswana.

## **5. Exploration & Mineral Resource Estimates**

The Company, via Meepong Resources, has completed in excess of 174,000 metres in over 1,945 diamond drill holes at Mmamabula as of May 2008. The majority of the initial exploration focused on the Dovedale and Mookane Blocks; subsequent exploration concentrated on the Serorome and Border Blocks. Since commencement of exploration by the Company in mid-2005, up to twelve drill rigs have been active at one time on the Mmamabula Coal Field. As of the date of this MD&A only one slimline drill rig is active (in the Mookane Block on the north-south structural investigation) as the exploration drilling program is essentially completed.

The coal seams at Mmamabula East occur within the Dibete Formation of the Upper Ecca Subgroup and Mmamabula Formation 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. In a news release dated 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". The Mookane and Dovedale Blocks are both within Mmamabula East.

In a news release dated April 18, 2007, CIC announced updated mineral resource estimates for the Dovedale Block and initial mineral resource estimates for the Serorome Block (which is within Mmamabula East) and for Mmamabula South. Details of the current mineral resource estimates for the Mmamabula Coal Field are contained in the Fifth Technical Report 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 the mineral resource estimates for the Mmamabula Energy Project reported to date are presented in the following tables, as set out in the Fifth Technical Report.

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

Category	Tonnage (Mt)
Measured	1,648.2
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	55.6
Measured + Indicated (total)	383.6	269.1	652.7
Inferred	5.1	-	5.1

Dovedale Block: D1 + M2 Seams Mineral Resource Estimate (Mmamabula East)  
 (effective date: April 18, 2007)

Category	Tonnage D1 Seam (Mt)	Tonnage M2 Seam (Mt)	Tonnage D1 + M2 Seams (Mt)
Measured	332.4	442.4	774.8
Indicated	76.8	104.9	181.7
Measured + Indicated (total)	409.2	547.3	956.5
Inferred	4.4	0.5	4.9

Serorome Block: D1 + M2 Seams Mineral Resource Estimate (Mmamabula East)  
 (effective date: April 18, 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

Subsequent to May 31, 2008, Meepong Resources submitted to the Government of Botswana an application pursuant to the Botswana Mines and Minerals Act for renewal of both prospecting licences PL11/2004 and PL75/2002, each for a period of two years. Pursuant to the terms of the Botswana Mines and Minerals Act, upon the granting of such renewals, Meepong Resources will be required to relinquish up to 50% of the surface area of each of the prospecting licences. While the Government of Botswana decides the amount of area to be relinquished, the specific area to be relinquished is determined by the licence holder. Meepong Resources has endeavoured to identify areas to be relinquished that generally are not considered to have exploitable coal or where such coal cannot be exploited on a commercially attractive basis. The resources set out in the tables above do not include the effects of any relinquishment, nor do they include the results of the substantial drilling that has taken place since the preparation of the Fifth Technical Report. The Company expects to release an updated mineral resource estimate in the near future that reflects both the results of the drilling program conducted since the release of the Fifth Technical Report, and the amount of area that has been required to be relinquished (or is expected to be required to be relinquished, in the event that the Government of Botswana has not yet made a determination at such time). The Company anticipates that this new mineral resource estimate will show a net increase in total Measured + Indicated resources as compared to the amounts set out in the tables above.

The base case mining method proposed for the mineral resources is conventional underground bord and pillar mining using continuous miners. Alternative mining methods aimed at optimizing resource utilization are being investigated.

A Pre-Feasibility Study into the possible introduction of strip mining operations at Mookane was conducted by a team appointed to investigate mining methods, mining equipment, capital and operating costs with the aim of incorporating strip mining as part of the mining operations at Mookane, if proven viable.

Various combinations of underground and openstrip tonnage scenarios were evaluated and found to be marginally more expensive than the underground only scenario. A review of the openstrip scenario will be done once current work on the D2/D3 seams, previously not considered, has been completed.

## 6. Critical Accounting Estimates

In preparing financial statements in accordance with Canadian GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and expenses for the three and six month periods ended May 31, 2008.

Critical accounting estimates represent estimates that are uncertain and for which changes in those estimates could materially impact on the CIC's financial statements. Management reviews its estimates and assumptions on an ongoing basis using the most current information available. Management considers that the estimates and assumptions that have been made are reasonable and appropriate as of the date hereof, based on the most current information available. The following accounting estimates are critical:

*Impairment of mineral properties and deferred expenditures*

Long-lived assets, including property and equipment, goodwill, mineral assets, mine infrastructure 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 recognized 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.

*Income taxes*

Income taxes are accounted for using the liability method under which future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of substantive enactment. In assessing future tax assets, CIC considers whether it is more likely than not that some portion or all of the future income tax assets will be realized and whether a valuation allowance is required.

*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 Binomial model to estimate the fair value of these options. 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 recognized in earnings on a straight-line basis over the relevant vesting period. The counterpart is recognized 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.

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.

## **7. Change in Accounting Policy**

In the first quarter of 2008, CIC changed its accounting policy for the recognition of stock-based compensation expense from the Black-Scholes model, to the Binomial model. Both models are permitted under Canadian GAAP. Management believes that the Binomial model provides a mathematically more advanced measurement methodology than the Black-Scholes model and it is the methodology recommended by the Company's accounting advisors who are specialists in this area. It is important to note, however, that there is no difference in the results between the Black-Scholes and Binomial models for companies that do not pay dividends. Accordingly this change in methodology had no impact on the reported results of the first quarter of 2008 and it is not expected to have any impact on the reported results for any subsequent quarter or the full financial year.

## 8. Disclosure of Outstanding Share Data

The following details the share capital structure as at July 15, 2008. 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	53,732,019	53,765,769
Share Options	April 17, 2014	\$6.90	2,081,000	5,202,750
	Sept 1, 2014	\$8.00	300,000	
	July 26, 2014	\$8.00	497,250	
	Nov 2, 2014	\$8.61	35,000	
		\$14.00	75,000	
	Dec 22, 2014	\$13.15	412,000	
	Mar 2, 2015	\$15.82	337,500	
	June 1, 2015	\$14.90	325,000	
	Oct 1, 2015	\$16.25	115,000	
	Feb 1, 2016	\$16.25	225,000	
	March 10, 2016	\$16.25	250,000	
	March 13, 2016	\$17.30	550,000	
	Common Shares issuable upon exercise of Warrants	Aug 23, 2008	\$17.22	
Aug 31, 2008		\$8.06	150,000	
Jan 1, 2009		\$11.00	100,000	
Dec 8, 2014		\$11.00	400,000	
Jan 1, 2015		\$11.00	550,000	
Feb 1, 2015		\$11.00	200,000	
Mar 1, 2015		\$14.00	225,000	
Sep 14, 2015		\$16.25	150,000	
Total number of Fully Diluted Shares				60,957,510

### *Financing Activities*

There were no fund raising activities in the first or second quarter of the 2008 fiscal year and there are no investments in asset-backed commercial paper.

## 9. Capital Expenditure on Exploration Properties

Exploration Properties  
(in thousands of \$)

	Balance at beginning of year	Three months to May 31, 2008	Six months to May 31, 2008	Balance at May 31, 2008
Mmamabula Energy Project (Botswana)	86,338	9,925	17,303	103,641

The balance at May 31, 2008 includes exploration, staff and relevant legal costs capitalized (\$99.4 million) as well as the cost of purchasing 100% shareholding in Meepong Resources (\$4.2 million). Historically these costs have all been allocated to the Mmamabula Energy Project. A share of such costs will be allocated to the CTH Project and/or the Export Coal Project at such time as the coal requirements and sourcing plans for these projects have been more accurately determined.

Coal-to-Hydrocarbons Project  
(in thousands of \$)

	Balance at beginning of year	Three months to May 31, 2008	Six months to May 31, 2008	Balance at May 31, 2008
Coal-to-Hydrocarbons Project (Botswana)	-	748	887	887

As noted in the news release of January 24, 2008, the Company is rapidly advancing its Coal-to-Hydrocarbons Project which is intended to produce synthesis gas from coal which can be converted to a variety of downstream products including petrochemicals, gas and fuels. The balance of May 31, 2008 includes dedicated staff and consulting costs incurred in developing this opportunity, but does not include any exploration and related costs for coal resource development referred to above.

Mineral Assets  
(in thousands of \$)

	Balance at beginning of year	Three months to May 31, 2008	Six months to May 31, 2008	Balance at May 31, 2008
Mmamabula Mine Development	4,032	-	-	4,032

### *Mmamabula Mine Development*

\$4 million is the value of project development work carried out on the mine project as at May 31, 2008, over and above direct exploration costs for mine development for the Mmamabula Energy Project.

	Balance at beginning of year	Three months to May 31, 2008	Six month to May 31, 2008	Balance at May 31, 2008
Mmamabula Mine Infrastructure	1,047	-	-	1,047

*Mmamabula Mine Infrastructure*

A deposit of \$1 million was paid in the fourth quarter of 2007 for the commencement of work to provide construction power to the Mmamabula Energy Project site.

**10. Results of Operations**

Review of Operations  
(in thousands of \$)

	Three months to May 31, 2008 (reviewed)	Three months to May 31, 2007 (unaudited)	Six months to May 31, 2008 (reviewed)	Six months to May 31, 2007 (unaudited)	Year to November 30, 2007 (audited)
Interest received	755	384	1,780	621	2,624
Profit (loss) on foreign exchange	55	(174)	202	601	275
Total income	810	210	1,981	1,222	2,899
Office and general expenses	1,361	1,122	2,674	1,789	4,209
Personnel expenses	740	1,434	1,354	2,089	1,944
Stock based compensation	898	172	1,209	642	7,524
Impairment	-	-	-	-	832
Other expenses	331	173	744	416	794
Income taxes	90	47	90	47	82
Net loss	2,610	2,737	4,089	3,761	12,485

CIC remains a development stage enterprise and devotes its efforts to its principal business objective, which is to develop the Mmamabula Energy Complex (which is planned to consist of the Mmamabula Energy Project, the Coal-to-Hydrocarbons Project and the Export Coal Project). Planned operations have not yet commenced and operating revenue has not yet been generated.

The net loss for the three months ended May 31, 2008 was \$2.6 million compared to a net loss of \$2.7 million for the same period in the prior year.

The net loss for the six months ended May 31, 2008 was \$4.1 million compared to a net loss of \$3.8 million for the same period in the prior year, and a net loss for the twelve month period ended November 30, 2007 of \$12.5 million. Results in the current half year benefitted to the extent of capitalized salary costs of \$1.5 million. During the year ended November 30, 2007 salary costs were only capitalised in the last quarter.

## 11. Summary of Quarterly Results

(in thousands of \$)

	Three months to May 31, 2008 (reviewed)	Three months to February 29, 2008 (reviewed)	Three months to November 30, 2007 (unaudited)	Three months to August 31, 2007 (unaudited)
Total income	810	1,171	680	997
Total expenses	3,330	2,650	7,206	3,160
Net income (loss)	(2,610)	(1,479)	(6,536)	(2,188)
Basic and diluted loss per share	(0.05)	(0.03)	(0.13)	(0.04)

	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)
Total income	210	1,012	1,315	202
Total expenses	2,901	2,036	1,077	905
Net income (loss)	(2,737)	(1,024)	183	(702)
Basic and diluted loss per share	(0.06)	(0.02)	0.01	(0.02)

Quarterly trends in total income reflect interest received on cash balances and foreign exchange profits and losses resulting from changes in the South African Rand / Canadian dollar and Botswana pula / Canadian dollar exchange rates as funds are transferred from the Company's bank account to South Africa and Botswana to pay corporate and exploration expenses. Total expenses have generally increased each quarter as the Company has grown in size with the advancement of the Mmamabula Energy Complex and its most advanced project, the Mmamabula Energy Project.

During the current quarter a reduced cash balance and softer money market rates contributed to a reduction in income from the first quarter in the fiscal year. The increase in expenditure levels in the second quarter was primarily due to an increase in the stock based compensation charge arising from the latest award of stock options during March 2008.

## 12. Financial Condition, Cash Flow, Liquidity and Capital Resources

### Cash Flow Highlights (in thousands of \$)

	Three month period to May 31, 2008 (reviewed)	Three month period to May 31, 2007 (unaudited)	Six month period to May 31, 2008 (reviewed)	Six month period to May 31, 2007 (unaudited)	Year ended November 30, 2007 (audited)
Operating activities	(2,004)	(2,507)	(5,048)	(5,371)	(6,874)
Investing activities	(7,096)	(7,748)	(11,847)	(13,816)	(31,061)
Financing activities	186	11,012	186	45,627	132,013
Beginning cash balance	114,194	53,595	121,989	27,911	27,911
Net cash flow for the period	(8,914)	757	(16,709)	26,440	94,078
Ending cash balance	105,280	54,351	105,280	54,351	121,989

#### *Operating Activities*

For the three month period ended May 31, 2008 operating activities utilized \$2.0 million cash compared with \$2.5 million in the same period in 2007. A reduced level of working capital was the major component of the improved cash flow.

For the six month period ended May 31, 2008 operating activities utilized \$5.0 million cash compared with \$5.4 million in the same period in 2007. The net outflow from operations is lower than the comparative period primarily due to a lower level of working capital investment, which more than compensated for higher expenditure levels.

#### *Investing Activities*

Investing activities for the three month period ended May 31, 2008 utilized \$7.1 million cash compared with \$7.7 million in the same period in 2007.

Investing activities for the six months ended May 31, 2008 utilized \$11.8 million mainly due to exploration activities on Mmamabula. This compares to the utilization of \$13.8 million in 2007 which was also largely the result of exploration activities. In addition, the acquisition of SAD-ELEC utilized approximately \$1 million in the first quarter of 2007. Investments in exploration activities were partially offset by interest received of \$1.8 million in the current six month period compared to \$0.6 million in the comparative period.

#### *Financing Activities*

Financing revenue in the current three and six months ended May 31, 2008, was limited to proceeds arising from share issues following the exercise of stock options amounting to \$0.2 million. During the first six months of last year a net \$45.6 million was raised from the issue of share capital via a private placement and exercise of brokers' warrants, of which \$11 million was raised in the second quarter.

Including 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 \$105.3 million at May 31, 2008.

### 13. 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:

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. Tau is a private company controlled by Warren Newfield, the Co-Chairman, Chief Executive Officer and a director of the Company. 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, which payments have been made by CIC in accordance with the terms of the Agreement. The Agreement can be terminated by CIC giving 180 days written notice.

For the three months to May 31, 2008 the Company paid \$70,000 to Tau in addition to the monthly service fee referred to above for administrative services. For the same period in 2007 the amount for these services was \$80,000.

For the six months to May 31, 2008 the Company paid \$139,000 to Tau in addition to the monthly service fee referred to above and \$160,000 for the same period last year.

In addition, an amount of \$244,000 was paid by the Company to Tau for the six months to May 31, 2008 in respect of services rendered by Tau outside the Agreement.

### 14. Risks

The operations of CIC are high-risk due to the scope, nature and stage of development of the Mmamabula Energy Complex. 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.

Development projects such as those being undertaken for the Mmamabula Energy Complex 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 sales revenues and operating costs from coal beneficiation activities, 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 the development projects prior to the commencement of operations. Development projects may experience unexpected problems and delays during development, construction and commencement of operations.

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 maximising 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 development of each of the projects that make up the Mmamabula Energy Complex is dependent on the ability of CIC to conclude the necessary agreements, and to obtain all necessary licences, permits, authorizations, consents, approvals and concessions from the Government of Botswana. The inability (including, in the case of the CTH Project, intellectual property licences) to conclude 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 third parties for the conclusion of such contracts on favourable terms.

The development of each of the projects that make up the Mmamabula Energy Complex will also require CIC to conclude the necessary agreements with EPC contractors with the requisite skills and experience to successfully complete the industrial components and infrastructure of such projects. Due to increased worldwide demand for the construction services and rising commodity prices, the EPC market is generally very competitive, the services of EPC contractors are in short supply, the costs of EPC services have been increasing substantially and the terms of such contracts have become less favourable to purchasers. As a result, CIC may not be able to conclude EPC contracts on terms favourable to CIC and/or acceptable to project lenders, on a timely basis or at all. Lack of capacity in the EPC market may also lead to delays in the completion of EPC contracts generally and/or in the commencement of commercial operations in respect of the projects that make up the Mmamabula Energy Complex.

CIC will also be required to procure significant mining and processing plant equipment for its mining operations for the Mmamabula Energy Complex, the pricing and availability of which is beyond the control of CIC and which is subject to similar market pricing and competitive pressures as the EPC market.

The Mmamabula Energy Complex 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 operation of industrial 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 Mmamabula Energy Complex, 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

Coal mining, coal processing and industrial activities of the scale envisaged at the Mmamabula Energy Complex can be demanding on water resources. Sulphur content of the coal 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 all or part of the proposed operations comprising the Mmamabula Energy Complex.

In addition to the foregoing, the Mmamabula Energy Project is dependent on the ability to successfully conclude PPAs with Eskom and/or BPC and to operate the mine and the power plant in order to produce the electricity required to be delivered pursuant to the PPAs. Although CIC has entered into a number of memoranda of understanding and heads of agreement concerning the development of the Mmamabula Energy Project (including a memorandum of understanding with Eskom), if CIC fails to enter into all requisite definitive agreements, CIC may be unable to proceed with the development of the Mmamabula Energy Project.

In order to finalize the PPAs with Eskom and/or BPC, and to obtain financing for the Mmamabula Energy Project, the parties have to reach agreement on, among other things, the applicable tariff, and certain concessions may need to be obtained from the Government of Botswana, including tax concessions. Failure to obtain acceptable tariffs and/or the foregoing concessions may have a material adverse impact on the viability and possible profitability of the Mmamabula Energy Project and on CIC's financial condition.

In the event that it is not possible to enter into a turnkey EPC Contract for the MEP due to current market circumstances, alternative arrangements or structures regarding the shifting of all or part of the risks of increased EPC costs from the EPC contractor to the Company, the lenders and/or the off-takers would need to be agreed. Should such alternative arrangements or structures be necessary, there can be no assurance that the Company, the lenders and the off-takers will reach agreement in respect of such arrangements or structures. In order to secure EPC services, CIC may also have to pay non-refundable deposits related to the reservation of manufacturing slots and associated engineering resources for delivery of long lead-time equipment such as boilers and turbines in advance of the signing of a definitive EPC contract. In the event that CIC is not able to secure the necessary credit facilities in the expected time frame, such deposits may be lost, which would have a negative impact on CIC's financial condition. In order to secure the schedule for commercial operations of the power station desired by Eskom and/or BPC, CIC may have to incur costs for preparatory and early construction works, both to the EPC contractors and to third parties, which amounts would be incurred prior to the achievement of the closing of the project debt financing required to fund the construction of the Mmamabula Energy Project ("**Financial Close**"). In the event that Financial Close for the Mmamabula Energy Project is not subsequently achieved as a result of an inability to secure lenders, it may not be possible for CIC to recover such costs, which would have a negative impact on CIC's business, financial condition and/or results of operations.

The ownership and operation of the proposed power station is dependent on the ability of Meepong Energy to obtain an Independent Power Producer ("**IPP**") 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 and the discretion of government authorities. The inability to obtain an IPP Licence would have a material adverse effect on CIC's operations and business. If such an IPP Licence is obtained, CIC's profits, if any, will be related to the price of electricity that is supplied to Eskom and/or BPC under the PPAs. The price and amount of power that may be sold under these PPAs is uncertain as at the date hereof. The failure to conclude a PPA with Eskom and/or BPC on favourable terms could result in the Mmamabula Energy Project being commercially unfeasible.

For the proposed power station to deliver electricity, it will be necessary to construct and operate new power transmission lines to connect to the Eskom and/or 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 and/or BPC will be able to construct the necessary power transmission infrastructure in a timely manner for the Mmamabula Energy Project. 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/or BPC is dependent on factors beyond the control of CIC, including, but not limited to, the completion of the development of the Mmamabula Energy Project within budget and on schedule. Anything which adversely affects price and volume (of either coal or power) and the development of the Mmamabula Energy Project could adversely affect the business, financial condition or results of operations of CIC.

In the event that the Company successfully negotiates PPAs with Eskom and/or BPC, credit support may be required from the Government of South Africa and/or the Government of Botswana, respectively, in order to support the financial obligations of each of Eskom and/or BPC under the PPAs. The inability to obtain such credit support could adversely affect the ability to secure funding for the Mmamabula Energy Project.

The development of each of the projects that make up the Mmamabula Energy Complex, along with the commencement of operations will require substantial additional financing. There can be no assurance that financing for the projects that make up the Mmamabula Energy Complex will be available or, if available, will be available on favourable terms or in a timely manner. In particular, as a result of exceptional losses experienced recently by many international financial institutions as a result of credit exposure to the sub-prime mortgage crisis in the US, many international debt markets are currently characterized by a shortage of liquidity which is resulting in increased borrowing costs and reduced availability of commercial debt financing. Failure to obtain sufficient financing when needed, will result in a delay or indefinite postponement of development or production of some or all of the projects that make up the Mmamabula Energy Complex 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 or the entering into of joint venture agreements.

In addition to the foregoing, in the event that the tariff under the PPAs is payable in Rand, the development of the Mmamabula Energy Project may require the raising of substantial debt financing in Rand. 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 dollar market, there is a risk that sufficient Rand to finance the Mmamabula Energy Project may not be available. In addition, increases in South African interest rates may increase the cost of Rand based project debt funding and adversely impact the Mmamabula Energy Project. In addition, during times of global economic uncertainty, such as those currently being experienced, emerging market currencies (such as the Rand) and interest rates often display greater sensitivity and volatility than currencies in the G8 and other developed countries. This has been evident with the recent depreciation of the Rand against all major currencies, including the Canadian dollar, during the first quarter of 2008.

Revenue from operations of the projects that make up the Mmamabula Energy Complex is expected to be received in currencies that may not match the currencies in which a material portion of operating expenses and ongoing capital equipment replacement costs are expected to be incurred. 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.

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.

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.

## **15. Internal Control Over Financial Reporting**

No changes were made to the Company's internal control over financial reporting during the three month period ended May 31, 2008, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## 16. Outlook

CIC's development of the Mmamabula Coal Field is proceeding both with respect to the coal resources, and the projects that make up the Mmamabula Energy Complex.

With respect to the coal resources, CIC has substantially completed its exploration drilling program and is currently defining coal resources which will be suitable for each of the Mmamabula Energy Project, the CTH Project and the Export Coal Project, and investigating possible mining plans for the coal resources, in each case with the objective of maximizing the utilisation of the total resource.

The Company is currently assessing and considering alternative configurations for the Mmamabula Energy Project to supply power to the region's growing needs, with one alternative being downsizing the project to a smaller power station. Looking forward, the major milestones to be achieved on the Mmamabula Energy Project are expected to be: determination of a new configuration for the MEP, identification and selection of an Engineering, Procurement and Construction contractor based on the new configuration and negotiation and execution of an EPC Contract, negotiation and execution of the Power Purchase Agreements with Eskom and/or BPC, issuance of licences and permits, negotiation and execution of financing documents with the project lenders, satisfaction of the conditions precedent to the disbursement of funds and start of construction.

The CTH Project is being advanced through the completion of several technical feasibility studies and the value chain study during the year. The major milestones following completion of these studies are expected to be: identification of preferred technology solutions, identification of preferred end products, identification of preferred markets and logistical solutions, and identification of preferred investment partners.

The Export Coal Project is being advanced through with the completion of a prefeasibility study on mine, rail and port options during the year. The major milestones following completion of the prefeasibility study will be the preparation of a bankable feasibility study on the preferred mine, rail and port options, as identified in the prefeasibility study.

The ability of the Company to complete the projects that make up the Mmamabula Energy Complex is subject to various risks and uncertainties. Please see "*Forward-Looking Statements*" and *Section 14: Risks*, for further details.