



CIC ENERGY CORP.

**Reviewed Consolidated Financial Statements
for the three and nine months ended August 31, 2009 and 2008
(Expressed in Canadian Dollars)**

CIC Energy Corp.

Index

The reports and statements set out below comprise the financial statements presented to the shareholders:

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Directors' Report

For the nine months ended August 31, 2009.

1. Review of activities

Main business and operations.

The company is a development stage enterprise focused on the development and operation of the Mmamabula Energy Complex. Planned operations have not yet commenced and operating revenue has not yet been generated.

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

2. Dividends

No dividends were declared or paid to shareholders during the period.

CIC Energy Corp.
Consolidated Balance Sheets

At August 31, 2009 and November 30, 2008.

	Note	August, 31 2009 Reviewed \$'000	November, 30 2008 Audited \$'000
Assets			
Current assets			
Cash and cash equivalents		51,373	85,820
Other receivables		998	933
Deposits		21	47
Prepayments		752	266
		<u>53,144</u>	<u>87,066</u>
Non-current assets			
Property, plant and equipment		1,894	1,783
Coal-to-Hydrocarbons project		3,933	3,933
Mine infrastructure		1,715	1,590
Exploration properties		150,443	121,435
		<u>211,129</u>	<u>215,807</u>
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		3,334	4,730
Taxation liability		38	336
Rehabilitation provision		1,707	1,660
		<u>5,079</u>	<u>6,726</u>
Capital Stock	5	219,824	220,199
Warrants	5	-	3,938
Stock Options	5	8,153	13,436
Contributed Surplus	5	18,872	7,034
Accumulated deficit	5	(40,799)	(35,526)
Shareholders' equity	5	<u>206,050</u>	<u>209,081</u>
		<u>211,129</u>	<u>215,807</u>

CIC Energy Corp.
Consolidated Statements of Operations and Comprehensive Loss
For the three and nine months ended August 31, 2009 and 2008.

	Note	Three months ended		Nine months ended	
		August, 31 2009 Reviewed \$'000	August, 31 2008 Reviewed \$'000	August, 31 2009 Reviewed \$'000	August, 31 2008 Reviewed \$'000
Other income					
Interest received		144	750	1,416	2,530
(Loss) / profit on foreign exchange		(1,094)	1,595	988	1,797
		<u>(950)</u>	<u>2,345</u>	<u>2,404</u>	<u>4,327</u>
Corporate and exploration expenses					
Office and general expenses		1,630	1,081	4,534	3,755
Personnel expenses		(132)	602	1,071	1,958
Stock-based compensation		559	669	920	1,877
Operating lease expenses		182	136	571	602
Management fees		77	72	246	211
Depreciation		37	36	136	93
Listing Subscription		-	1	83	83
		<u>2,353</u>	<u>2,597</u>	<u>7,561</u>	<u>8,579</u>
Net loss before income taxes		(3,303)	(252)	(5,157)	(4,252)
Income taxes		-	(90)	(112)	(179)
Net loss and comprehensive loss for the period		<u>(3,303)</u>	<u>(342)</u>	<u>(5,269)</u>	<u>(4,431)</u>
Basic and diluted loss per share	6	<u>\$ (0.06)</u>	<u>\$ (0.006)</u>	<u>\$ (0.10)</u>	<u>\$ (0.08)</u>

CIC Energy Corp.

Consolidated Statements of Accumulated Deficit

For the three and nine months ended August 31, 2009 and 2008.

	Three months ended		Nine months ended	
	August, 31	August, 31	August, 31	August, 31
	2009	2008	2009	2008
Note	Reviewed	Reviewed	Reviewed	Reviewed
	\$'000	\$'000	\$'000	\$'000
Accumulated deficit, beginning of period	(37,496)	(31,292)	(35,526)	(27,203)
Net loss for the period	(3,303)	(342)	(5,269)	(4,431)
Share issue costs	-	-	(4)	-
Accumulated deficit, end of period	(40,799)	(31,634)	(40,799)	(31,634)

CIC Energy Corp.

Consolidated Statements of Cash Flows

For the three and nine months ended August 31, 2009 and 2008.

	Three months ended August, 31 2009 Reviewed \$'000		Nine months ended August, 31 2009 Reviewed \$'000	
	August, 31 2008 Reviewed \$'000	August, 31 2008 Reviewed \$'000	August, 31 2008 Reviewed \$'000	August, 31 2008 Reviewed \$'000
Cash Flows from Operating Activities				
Net loss	(3,303)	(342)	(5,269)	(4,431)
Items not affecting cash:				
Depreciation	37	36	136	93
Unrealised operational foreign exchange (gain)/loss	1,094	(1,595)	(988)	(1,797)
Stock based compensation	559	669	920	1,878
Net operating working capital changes	(2,823)	(943)	(2,171)	(1,187)
Net cash flow used in operating activities	(4,436)	(2,175)	(7,372)	(5,444)
Cash Flows from Investing Activities				
Acquisition of property, plant and equipment	(9)	(15)	(247)	(228)
Additions to exploration properties – MEP	(8,926)	(3,952)	(26,324)	(16,478)
Additions to exploration properties – Infrastructure	-	-	(125)	-
Additions to exploration properties – CTH	-	(2,543)	-	(3,430)
Net cash flow used in investing activities	(8,935)	(6,510)	(26,696)	(20,136)
Cash Flow from Financing Activities				
Proceeds from share capital and warrants issued	-	268	-	454
Repurchase of shares	-	-	(379)	-
Net cash flow from / (used in) financing activities	-	268	(379)	454
Decrease in cash and cash equivalents	(13,371)	(8,417)	(34,447)	(25,126)
Cash and cash equivalents, beginning of period	64,744	105,280	85,820	121,989
Cash and cash equivalents, end of period	51,373	96,863	51,373	96,863

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These interim consolidated financial statements of the Group do not include all the disclosures as required under Canadian generally accepted accounting principles for annual financial statements; however, the quarterly financial statements follow the same accounting policies and methods of application as the most recent annual financial statements. The interim financial statements should be read in conjunction with CIC Energy Corp.'s audited financial statements for the year ended November 30, 2008.

(b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis.

2. FUTURE ACCOUNTING POLICIES

(a) Business Combinations

In October 2008, the CICA issued Handbook section 1582, Business Combinations, which establishes new standards for accounting for

business combinations. This is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The Group is considering early adoption to coincide with the adoption of International Financial Reporting Standards. The Group does not expect that the adoption of this new standard will have any impact on its financial statement disclosures or result of operations.

(b) Non-Controlling Interest

In October 2008, the Accounting Standards Board ("AcSB") issued Handbook section 1602, Non-controlling Interests, to provide guidance on accounting for non-controlling interests subsequent to a business combination. The section is effective for fiscal years beginning on or after January 2011. The Group does not expect that the adoption of this new standard will have any impact on its financial statement disclosures or result of operations.

3. FINANCIAL ASSETS AND LIABILITIES

The following table presents the carrying amounts and estimated fair values of the Group's financial instruments and commodities:

<i>All \$ amounts in thousands</i>	August 31, 2009		November 30, 2008	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
Financial Assets				
(i) Cash & cash equivalents	51,373	51,373	85,820	85,820
(ii) Other receivables	607	607	499	499
(iii) Deposits	21	21	47	47
Financial Liabilities				
(ii) Accounts payable	3,334	3,334	4,634	4,634
(iv) Provisions	1,707	1,707	1,660	1,660

- (i) Cash & cash equivalents: Recorded at cost.
- (ii) Other receivable and accounts payable: Recorded at amortised cost. The fair value of other receivables and accounts payable is equivalent to the carrying amount given the short maturity period.
- (iii) Deposits: Recorded at cost. The fair value of deposit is equivalent to the carrying amount given the short maturity period.
- (iv) Provisions: Recorded at best estimate of cost.

4. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from its use of financial instruments:

- . credit risk
- . liquidity risk
- . market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Other receivables.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counter party. Historically, the Group has not experienced any difficulty to recover value added tax from the Revenue Authorities.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has adequate cash, to the value of \$51 million, to service future cash requirements.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group does not buy and sell derivatives.

Currency risk

The Group is exposed to currency risk on purchases that are denominated in a currency other than the respective functional currencies of the Group's foreign and domestic operations, primarily Botswana Pula and South African Rand. The currencies in which these transactions are denominated are BWP and ZAR.

Interest rate risk.

The interest rate risk is not hedged.

(iv) Capital Management

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by optimising the value of ore reserves within levels of acceptable risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares, sell assets or incur debt.

Consistently with others in the industry, the Group monitors capital on the basis of the debt-to-adjusted capital ratio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended August 31, 2009 and 2008

The Board's policy is to incentivise and retain employees and key consultants by offering share options, warrants or other forms of discretionary grants.

On September 24, 2008, the Company announced that it had obtained approval from the Toronto Stock Exchange ("TSX") in terms of which the Company will be permitted to purchase up to 2,688,288 common shares in the open market over a twelve month period. The bid commenced on September 26, 2008 and will end on September 25, 2009. The purchases in the open market will be made through the facilities of the TSX and conducted at the market price at the time of acquisition. All shares purchased by the Company will be subsequently cancelled.

During 2009, the Group's strategy, which was unchanged from 2008, was to maintain the debt-to-adjusted capital ratio at the lower end of the

range 2:100 to 5:100, in order to limit monthly cash flow commitments and reduce dependency on uncertain financial markets.

<i>(all \$ amounts in thousands)</i>	August 31, 2009	November 30, 2008
Total Debt	5,079	6,726
Less: Cash & cash equivalents	(51,373)	(85,820)
Net Cash	<u>(46,294)</u>	<u>(79,094)</u>
Adjusted Capital	206,050	209,081
Debt-to-adjusted capital ratio	<u>-0.22</u>	<u>-0.38</u>

There is no material change in the debt-to-adjusted capital ratio between November 30, 2008 and August 31, 2009.

CREDIT RISK

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

All \$ amounts in thousands	Carrying amount	
	August 31, 2009	November 30, 2008
Cash and cash equivalents	51,373	85,820
Other receivables	607	499
Deposits	21	47
Total	52,001	86,366

LIQUIDITY RISK

Exposure to liquidity risk

The following are contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Non-derivative financial liabilities	Carrying amounts	Contractual cash flow	< 1 Year	> 1 Year
Accounts payable	(3,334)	(3,334)	(3,334)	-
Provisions	(1,707)	(1,707)	(1,707)	-
Total	(5,041)	(5,041)	(5,041)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended August 31, 2009 and 2008

INTEREST INCOME AND RISK

Recognised in net income

<i>(all \$ amounts in thousands)</i>	August 31, 2009	August 31, 2008
Interest income on bank deposits	<u>1,416</u>	<u>2,530</u>
Total interest income	<u>1,416</u>	<u>2,530</u>

Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing instruments was:

<i>(all \$ amounts in thousands)</i>	August 31, 2009	November 30, 2008
Variable rate instruments		
Cash and cash equivalents	<u>51,373</u>	<u>85,820</u>

**Cash flow sensitivity analysis for variable rate
Instruments**

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and net income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

<i>(all \$ amounts in thousands)</i>	Net income		Equity	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
August 31, 2009				
Variable rate instruments	(514)	514	-	-
November 30, 2008				
Variable rate instruments	(858)	858	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended August 31, 2009 and 2008

CURRENCY RISK

The Group's exposure to foreign currency risk was as follows based on notional amounts:

(all \$ amounts in thousands)	August 31, 2009			November 30, 2008		
	CAD	BWP	ZAR	CAD	BWP	ZAR
Other receivables	607	-	-	499	-	-
Cash and cash equivalents	41,347	53,580	9,540	82,703	5,323	14,862
Other payables	(3,334)	-	-	(4,634)	-	-
Gross balance sheet exposure	38,620	53,580	9,540	78,568	5,323	14,862

Sensitivity Analysis

A 10 percent weakening of the Canadian dollar against the abovementioned currencies at August 31, 2009 would have increased/(decreased) equity and net income by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant (a 10 percent strengthening of the Canadian dollar against the above currencies at August 31, 2009 would have had the equal but opposite effect). The analysis is performed on the same basis for November 30, 2008.

(all \$ amounts in thousands)	Equity	Profit or (loss)
August 31, 2009		
BWP	-	870
ZAR	-	132
November 30, 2008		
BWP	-	83
ZAR	-	(184)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended August 31, 2009 and 2008

5. SHAREHOLDERS' EQUITY

	Capital Stock #'000	Capital Stock \$'000	Warrants #'000	Warrants \$'000	Stock Options \$'000	Contributed Surplus \$'000	Deficit \$'000	Total \$'000
November 30, 2007	53,705	222,408	2,099	4,721	11,301	2,942	(27,203)	214,169
Warrants cancelled / lapsed	-	-	(674)	(3,169)	-	3,169	-	-
Warrants issued to executives	-	-	325	101	-	-	-	101
Repurchase of shares	(983)	(2,663)	-	-	-	-	(15)	(2,678)
Stock-based compensation	-	-	-	2,285	3,058	-	-	5,343
Stock options exercised	60	454	-	-	(173)	173	(9)	445
Stock options cancelled / lapsed	-	-	-	-	(750)	750	-	-
Net loss for period	-	-	-	-	-	-	(8,299)	(8,299)
November 30, 2008	52,782	220,199	1,750	3,938	13,436	7,034	(35,526)	209,081
Repurchase of shares	(208)	(375)	-	-	-	-	(4)	(379)
Stock-based compensation	-	-	-	1,159	1,458	-	-	2,617
Warrants cancelled / lapsed	-	-	(1,750)	(5,097)	-	5,097	-	-
Stock options cancelled / lapsed	-	-	-	-	(6,741)	6,741	-	-
Net loss for period	-	-	-	-	-	-	(5,269)	(5,269)
August 31, 2009	52,574	219,824	-	-	8,153	18,872	(40,799)	206,050

6. BASIC AND DILUTED LOSS PER SHARE

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

(all \$ amounts in thousands)

	August 31, 2009	August 31, 2008
Numerator – Basic and Diluted		
Net profit / (loss)	<u>(5,269)</u>	<u>(4,431)</u>
Denominator - Basic and Diluted		
Weighted average number of shares	52,609,410	53,924,286
Basic and diluted profit / (loss) per share	\$ (0.10)	\$ (0.08)

3,127,500 share options have been excluded from the calculation as their exercise would be anti-dilutive.

7. RELATED PARTY TRANSACTIONS

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

	Three months ended		Six months ended	
	August 31, 2009	August 31, 2008	August 31, 2009	August 31, 2008
	\$'000	\$'000	\$'000	\$'000
Management fees ¹	<u>77</u>	72	<u>246</u>	211

1. CIC carries on business outside Canada. CIC purchases administrative, advisory and investor relation services from a company that shares a common director to assist in fulfilling its ongoing obligations as a reporting issuer listed for trading on a stock exchange in Canada. On August 1, 2005, the Company entered into an administrative service agreement (the "Agreement") with Tau Capital Corp. ("Tau"). The Agreement had an initial term of three years, terminating on July 31, 2008, whereupon it was renewed for a further year. CIC and Tau entered into an amendment of the Tau Agreement, with effect from July 31, 2009. Under the terms of the Tau Agreement as amended, the Company pays a monthly service fee to Tau of \$50 000, as well as reimbursement of third party costs incurred by Tau in the performance of the services under the Tau Agreement on behalf of the Company. Each of CIC and Tau has the right to terminate the amended Tau Agreement at any time on not less than 60 days prior notice, provided that in the event of a termination of the amended Tau Agreement by CIC, CIC shall pay to Tau a termination fee of six hundred thousand dollars (\$600,000).
2. On September 2, 2009, CIC Energy (SA) (Pty) Limited ("**CIC Energy (SA)**"), a wholly owned subsidiary of the Company that performs project development activities on behalf of the Company in South Africa, entered into a consulting agreement (the "**Consulting Agreement**") with Mendi Msimang, who was appointed a director of the Company on August 28, 2009. The Consulting Agreement has a term of twelve months, subject to extension by the agreement of the parties. Under the terms of the Consulting Agreement, the Company pays a monthly consulting fee to Mr. Msimang of 50,000 Rand, as well as reimbursement of third party costs incurred by Mr. Msimang in the performance of the services under the Consulting Agreement on behalf of CIC Energy (SA).

8. SEGMENT REPORTING

The Group comprises of one significant business segment which relates to the acquisition, exploration and development of coal properties in Botswana.

9. CONTINGENT LIABILITIES

The Group has a total contingent liability amounting to \$40.4 million in respect of contractual commitments to external and related parties and to past and current advisors on the project. These contingencies depend on project milestones including the conclusion of a power purchase agreement and financial close of the project. Most of these costs are likely to be capitalised when incurred.

The Company recently implemented a defined cash bonus program (the "DCBP"), pursuant to which the holders of certain of the share options and warrants were given the option to accept a defined cash bonus, payable upon the occurrence of certain vesting events (one of which is the achievement of Financial Close), in exchange for agreeing to the acceleration of such share options and/or warrants. The acceleration for those that accepted the DCBP was made effective on June 17, 2009. The value of the DCBP is \$18.3m and is included above in the contingent liability total and this will have to be paid out by the Company if the vesting events occur.

10. SUBSEQUENT EVENTS

The directors are not aware of any matters or circumstances arising since the end of the prior quarter.

11. GOING CONCERN

As of August 31, 2009, the Company had cash and cash equivalents of approximately \$51.4 million. The Company has decided to defer certain development activities for the MEP. The Company's cash and cash equivalents are considered to be adequate to fund the Company's ongoing personnel, office, lease and general expenses and committed third party costs through to at least November 30, 2010.

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

Directors

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Blackie Marole
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