



**Interim Consolidated Financial Statements
for the three months ended February 28, 2011 and February 28, 2010
(Expressed in Canadian Dollars)**

Directors' Report

For the three months ended February 28, 2011.

1. Review of activities

Main business and operations

The company is a development stage enterprise. Its main focus is 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 group 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 February 28, 2011 and November 30, 2010

		February 28,	November 30,
		2011	2010
		\$	\$
	<i>Note</i>	(unaudited)	(audited)
Assets			
Current assets:			
Cash and cash equivalents		19,402,528	25,708,947
Other receivables		315,197	181,208
Deposits		24,312	24,402
Prepayments		104,773	99,289
		19,846,810	26,013,846
Non-current assets:			
Property, plant and equipment		644,399	710,799
Coal-to-Hydrocarbons project		3,932,819	3,932,819
Mmamabula Energy Project infrastructure		1,716,621	1,716,621
Exploration properties		170,429,304	169,535,760
		176,723,143	175,895,999
		196,569,953	201,909,845
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities		4,597,455	4,616,211
Taxation payable		105,887	1,629
Rehabilitation provision		431,055	441,880
		5,134,397	5,059,720
Capital stock	4	219,820,027	219,820,027
Stock options	4	5,682,689	5,540,165
Contributed surplus	4	23,850,719	23,850,719
Retained deficit	4	(57,917,879)	(52,360,786)
Shareholders' equity	4	191,435,556	196,850,125
		196,569,953	201,909,845
Going concern	1		
Commitments	7		
Contingent liabilities	8		

See accompanying notes to these interim financial statements.

CIC Energy Corp.
Consolidated Statements of Operations
For the three months ended February 28, 2011 and February 28, 2010
(unaudited)

		Three months ended	
		February 28,	February 28,
		2011	2010
	<i>Note</i>	\$	\$
Other income			
Interest received		77,286	18,720
Corporate and exploration expenses			
Office and general expenses		(2,674,925)	(1,335,276)
Personnel expenses		(2,079,037)	(320,366)
Operating lease expenses		(204,975)	(225,870)
Loss on foreign exchange		(191,403)	(624,876)
Management fees paid		(150,000)	(150,000)
Stock-based compensation		(103,269)	(507,208)
Depreciation		(66,400)	(66,296)
Subscriptions		(46,849)	(6,961)
		<u>(5,516,858)</u>	<u>(3,236,853)</u>
Net loss before income taxes		<u>(5,439,572)</u>	<u>(3,218,133)</u>
Income taxes		(117,521)	(47,189)
Net loss for the period		<u>(5,557,093)</u>	<u>(3,265,322)</u>
Basic and diluted loss per common share for the period			
	5	\$(0.11)	\$(0.06)
Basic and diluted weighted average number of common shares outstanding			
	5	52,573,969	52,573,969

See accompanying notes to these interim financial statements.

CIC Energy Corp.
Consolidated Statements of Comprehensive Loss and Retained Deficit
For the three months ended February 28, 2011 and February 28, 2010
(unaudited)

	Three months ended	
	February 28,	February 28,
	2011	2010
	\$	\$
Comprehensive Income		
Net loss for the period	(5,557,093)	(3,265,322)
Other comprehensive income, net of tax	-	-
Comprehensive loss	<u>(5,557,093)</u>	<u>(3,265,322)</u>
Retained Deficit		
Retained deficit, beginning of the period	(52,360,786)	(41,181,009)
Net loss for the period	(5,557,093)	(3,265,322)
Retained deficit, end of the period	4 <u>(57,917,879)</u>	<u>(44,446,331)</u>

See accompanying notes to these interim financial statements.

CIC Energy Corp.
Consolidated Statements of Cash Flow
For the three months ended February 28, 2011 and February 28, 2010
(unaudited)

	Three months ended	
	February 28,	February 28,
<i>Note</i>	2011	2010
	\$	\$
Cash flows from operating activities		
Net loss before interest and tax	(5,516,858)	(3,236,853)
Items not affecting cash:		
Unrealised foreign exchange loss	191,403	624,876
Depreciation	66,400	66,296
Stock-based compensation	103,269	507,208
Environmental rehabilitation payments	(10,825)	(60,488)
Changes in non-cash working capital	(158,139)	(1,724,718)
Interest received	77,286	18,720
Income tax (paid) / received	(13,263)	1,310
Net cash flow used in operating activities	(5,260,727)	(3,803,649)
Cash flows from investing activities		
Additions to property, plant and equipment	-	(625)
Exploration properties expenditure	(1,045,692)	(2,410,461)
Net cash flow used in investing activities	(1,045,692)	(2,411,086)
Cash flows from financing activities		
Issue of ordinary shares	-	-
Net cash flow from financing activities	-	-
Decrease in cash and cash equivalents	(6,306,419)	(6,214,735)
Cash and cash equivalents, beginning of the period	25,708,947	42,467,970
Cash and cash equivalents, end of the period	19,402,528	36,253,235

See accompanying notes to these interim financial statements.

1. GOING CONCERN

As part of the process of preparing the financial statements for the fiscal quarter ended February 28, 2011, management considered whether CIC Energy Corp. remains a going concern. Management's view is that CIC Energy Corp. is a Going Concern for the following reasons.

As of February 28, 2011, the Company had cash and cash equivalents of approximately \$19.4 million. This amount is 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 February 29, 2012, budgeted to be approximately \$17.2 million. This would leave a cash balance as of February 28, 2012 after the payment of committed costs of approximately \$2.2 million.

As a result of the Company's decision to defer those project development activities for the Mmamabula Energy Project ("MEP") that are unrelated to the regulatory approval process in South Africa until such time as the Integrated Resource Plan ("IRP") 2 has been completed, substantially all work being done by external consultants (i.e. financial advisors, legal advisors and engineers) has been suspended and the Company does not currently have any committed costs in relation thereto. As a result of the expiration of the commercial offer in relation to the Mookane Domestic Power Project ("MDPP"), the Company does not currently have any significant committed costs in relation thereto. The Company also undertook a program of voluntary retrenchments. If necessary, the Company could further reduce the budgeted costs by means of an additional retrenchment program.

At such time as project development activities for the MEP and/or MDPP are resumed, it is expected that in order for the Company to have adequate funding to reach Financial Close (being the point in a limited recourse project when all key project contracts have been concluded and become unconditional and all debt and equity committed, and all conditions precedent to the first drawdown under the financing agreements have been satisfied) of the MEP and/or the MDPP, the Company will need to raise additional funding (either by the Company itself, or in the relevant project companies).

The Company does not anticipate incurring material development costs prior to February 29, 2012 on its other project development activities.

2. 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, 2010. The consolidated financial statements have been prepared on a historical cost basis.

(b) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

(c) Translation of foreign currencies

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest Canadian dollar.

3. FUTURE ACCOUNTING POLICIES

(a) Section 1582, Business combinations; Section 1601, Consolidated financial statements; and Section 1602, Non-controlling interests; and amendments to Section 3251, Equity

The CICA issued three new accounting standards in January 2009: Section 1582, Business combinations; Section 1601, Consolidated financial statements; and Section 1602, Non-controlling interests and amendments to Section 3251, Equity. These new standards will be effective for fiscal years beginning on or after January 1, 2011 and earlier adoption is permitted as of the beginning of a fiscal year. The Company is in the process of evaluating the requirements of the new standards.

Sections 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards IFRS 3-Business Combinations.

Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for non-controlling interests in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27-Consolidated and separate financial statements.

Amendments to Section 3251 apply to entities that have adopted Section 1602 and require separate presentation on the statements of operations and comprehensive income of income attributable to owners of the Company and those attributable to non-controlling interests. The amendments also require that non-controlling interests be presented separately as a component of equity.

(b) Consolidated financial statements and Non-controlling interests

In January 2009, the Accounting Standards Board ("AcSB") issued Handbook section 1601, Consolidated Financial Statements and section 1602, Non-controlling Interests, to provide guidance on preparation of consolidated financial statements and accounting for non-

controlling interests subsequent to a business combination. The section is effective for fiscal years beginning on or after January 1, 2011, however early adoption is permitted as of the beginning of a fiscal year.

(c) Amendment to Section 3855, financial instruments – Recognition and measurement

In June 2009, Section 3855, financial instruments – Recognition and measurement was amended to:

- Clarify the application of the effective interest method following an impairment loss of an investment in a debt instrument. This clarification applies to investment in debt instruments classified as held-to-maturity and to those classified as available for sale. This amendment will be effective for fiscal years beginning on or after January 1, 2011.
- Clarify the situation where the embedded prepayment option is considered closely related and, therefore, is not separated from the host debt instrument for recognition purposes. This amendment will be effective for fiscal years beginning on or after January 1, 2011.

The Company is in the process of evaluating the requirements of these new standards.

(d) International Financial Reporting Standards (IFRS)

In February 2008, the Accounting Standards Board (AcSB) confirmed that IFRS, as issued by the International Accounting Standards Board (IASB), will replace Canadian GAAP for publicly accountable enterprises and must be adopted for fiscal years beginning on or after January 1, 2011.

The company will not be early adopting IFRSs and therefore the effective date of transition to IFRS will be December 1, 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the three months ended February 28, 2011 and February 28, 2010.

4. SHAREHOLDERS' EQUITY

The following table outlines the continuity of shareholders' equity for the three months ended February 28, 2011:

	Capital stock		Stock options	Contributed surplus	Retained deficit	Total shareholders' equity
	#	\$	\$	\$	\$	\$
Balance at November 30, 2009	52,573,969	219,820,027	8,315,812	18,871,179	(41,181,009)	205,826,009
Stock-based compensation (a)	-	-	2,203,893	-	-	2,203,893
Stock options cancelled / lapsed (a)	-	-	(4,979,540)	4,979,540	-	-
Net loss for the period	-	-	-	-	(11,179,777)	(11,179,777)
Balance at November 30, 2010	52,573,969	219,820,027	5,540,165	23,850,719	(52,360,786)	196,850,125
Stock-based compensation	-	-	142,524	-	-	142,524
Net loss for the period	-	-	-	-	(5,557,093)	(5,557,093)
Balance at February 28, 2011	52,573,969	219,820,027	5,682,689	23,850,719	(57,917,879)	191,435,556

- (a) 2,890,000 stock options were issued, whilst 1,492,500 stock options were subsequently cancelled during the year ended November 30, 2010. The fair value (Black-Scholes valuation method) of the cancelled stock options caused a \$4,979,540 adjustment to contributed surplus.

5. BASIC AND DILUTED LOSS PER COMMON SHARE FOR THE PERIOD

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

<i>(all amounts in \$)</i>	February 28, 2011	February 28, 2010
Numerator:		
Loss attributable to common shareholders		
- basic and diluted	(5,557,093)	(3,265,322)
Denominator:		
Weighted average number of common shares outstanding		
- basic and diluted	52,573,969	52,573,969
Basic and diluted loss per common share	\$(0.11)	\$(0.06)

4,525,000 (November 30, 2010: 4,525,000) share options have been excluded in the calculation as their exercise would be anti-dilutive.

6. RELATED PARTY TRANSACTIONS

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

<i>(all amounts in \$)</i>	February 28, 2011	February 28, 2010
Administrative services ¹	150,000	150,000

1. Tau Capital Corp.

CIC carries on business outside Canada. CIC purchases administrative, advisory and investor relation services from a group 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 Group entered into an administrative service agreement (the "Agreement") with Tau Capital Corp. ("Tau Capital"). Tau Capital is a

private company of which W. Newfield is a director.

The Agreement had an initial term of three years, which terminated on July 31, 2008, whereupon it was renewed for a further year to July 31, 2009 subject to further renewal by the parties to the agreement. The terms of the Agreement as amended, required the Group to pay a monthly service fee of \$50,000 as well as reimbursement of third party costs incurred by Tau Capital in the performance of the services under the Tau Agreement on behalf of the Group. Each of CIC Energy and Tau Capital 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 Energy, CIC Energy shall pay to Tau Capital a termination fee of six hundred thousand dollars (\$600,000).

Mendi Msimang

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 had a term of twelve months, subject to extension by the agreement of the parties. Under the terms of the Consulting Agreement, the Company paid a monthly consulting fee to Mr. Msimang of 50,000 Rand and reimbursed Mr. Msimang for third party costs incurred by Mr. Msimang in the performance of the services under the Consulting Agreement on behalf of CIC Energy (SA). On April 15, 2010, Mr. Msimang resigned as a director of the Company and the Consulting Agreement was terminated by mutual consent.

Moxirex (Proprietary) Limited

Pursuant to a share warrant agreement (the "Warrant Agreement") dated April 9, 2010 between the Company and Moxirex (Proprietary) Limited ("Moxirex"), a company controlled by Robert Gumede, a director of the Company, the Company has agreed to issue to Moxirex 13,061,448 Common Share purchase warrants

(the "Warrants"), each Warrant being exercisable to purchase one Common Share at a price of \$1.75 for a term of three years after the date of issue, in consideration for Moxirex rendering consultancy services to the Company, primarily in respect of the regulatory approval process in South Africa for the Mmamabula Energy Project. The Warrants are subject to vesting upon the achievement of certain specified milestones, which are also primarily related to the regulatory approval, development and financing of the Mmamabula Energy Project.

In the event that the Company issues additional Common Shares (the "Additional Shares") within 12 months of April 9, 2010, the Company will, subject to regulatory approval, issue additional Common Share purchase warrants to Moxirex (the "Additional Warrants"), each such Additional Warrant being exercisable to purchase one Common Share at the price at which such Additional Shares were issued, so as to result in an entitlement to purchase such number of Common Shares as constitutes in the aggregate 19.9% of the Additional Shares so issued, provided that the maximum number of Additional Warrants that will be issued will not exceed 2 million in the aggregate, notwithstanding how many additional Common Shares may be issued by the Company from time to time during such 12 month period. At February 28, 2011, none of the vesting conditions have been met and therefore no warrants had been accounted for.

7. COMMITMENTS

(a) Operating lease commitments
CIC Energy (South Africa) (Proprietary) Limited has future operating lease commitments for equipment and buildings amounting to \$3.47 million ending November 30, 2016. Annual payments are:

	\$
2011	433,495
2012	631,190
2013	689,299
2014	752,776
2015	822,119
2016	<u>138,974</u>
	<u>3,467,853</u>

CIC Energy (Botswana) (Proprietary) Limited has future operating lease commitments for buildings amounting to \$ 10,473 ending May 31, 2011.

8. CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of contractual commitments 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. The aggregate of these contingent liabilities is an amount of \$34.1million (November 30, 2010: \$34.8 million), most of which are likely to be capitalised when incurred. In order to fund the contingent obligations, the Group would be required to raise additional funding.

9. SUBSEQUENT EVENTS

No subsequent events were identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended February 28, 2011 and February 28, 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 Group's business are more fully discussed in the Management Discussion and Analysis published in the Group's Annual Report and in CIC's Annual Information Form.

Directors

Gregory Kinross - President
Warren Newfield – Chairman
Len Konar
Blackie Marole
Adrian Meyer
Michael Movsas
Robert Gumede

Management

Greg Kinross, President
Warren Newfield, CEO
Alexandrea I. Gatis, CFO

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