



CIC ENERGY CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended February 28, 2011

Dated: April 6, 2011

TABLE OF CONTENTS

1. Introduction.....	2
2. Overall Performance.....	2
3. Results of Operations.....	4
4. Summary of Quarterly Results .....	13
5. Liquidity .....	14
6. Capital Resources .....	15
7. Off-Balance Sheet Arrangements.....	17
8. Transactions with Related Parties .....	17
9. Proposed Transactions.....	18
10. Critical Accounting Estimates .....	18
11. Changes in Accounting Policy .....	20
12. Financial Instruments and Other Instruments.....	21
13. Disclosure of Outstanding Share Data.....	21
14. Internal Control Over Financial Reporting.....	22
15. Risks.....	22
16. Outlook .....	26
17. Cautionary Statement Regarding Forward-Looking Statements.....	27

## 1. Introduction

The common shares of CIC Energy Corp. ("**CIC Energy**" or the "**Company**") 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 Energy were listed on the Botswana Stock Exchange ("**BSE**") under the name CIC ENERGY.

This Management's Discussion and Analysis ("**MD&A**") has been prepared for the three months ended February 28, 2011.

Additional information relating to CIC Energy, including the Company's Annual Information Form for the year ended November 30, 2010, has been filed on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and may be accessed at [www.sedar.com](http://www.sedar.com).

The discussion and analysis of the financial status of CIC Energy for the three months ended February 28, 2011 should be read in conjunction with the consolidated financial statements and related notes for CIC Energy and its wholly-owned subsidiaries for the three months ended February 28, 2011, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("**Canadian GAAP**"). Historical results, including trends which might appear, should not be taken as indicative of future results.

All financial information reported herein for the three months ended February 28, 2011 has not been audited. Unless otherwise indicated, all funds in this MD&A are in Canadian dollars.

## 2. Overall Performance

CIC Energy is a single business company that has been focused on the development and operation of the "**Mmamabula Energy Complex**". CIC Energy remains a development stage enterprise and planned operations have not yet commenced and operating revenue has not yet been generated. The Mmamabula Energy Complex is planned to consist of (i) one or more mine-mouth coal fired thermal power station projects, (the "**Power Projects**"), (ii) an export coal project (the "**Export Coal Project**"), and (iii) a coal gasification and hydrocarbon production project (the "**CTH Project**"), each of which is described in greater detail below. These projects are planned to be developed on the basis of three greenfield coal properties located in the Mmamabula coalfield in south-eastern Botswana. The Power Projects are significantly more advanced than either the CTH Project or the Export Coal Project; however, the Company is not currently engaged in project development activities in relation to the Power Projects.

Based on the Company's understanding of the contents of the "Integrated Resource Plan for Electricity 2010-2030 – Final Report" dated March 25, 2011 issued by the South Africa Department of Energy for the purpose of promulgation of the Integrated Resource Plan for Electricity 2010-2030 (known as the "**IRP2010**"), a total of 1,000 MW of capacity is anticipated to be put into service by industrial customers (primarily for their own use) utilising coal as the fuel source, with supply to commence between 2014 and 2019. A further 1,750 MW of power utilising coal as the fuel source is anticipated to be procured for supply between 2019 and 2025, and thereafter a further 3,500 MW is anticipated to be procured for supply between 2026 and 2030, for a total of 6,250 MW of coal fired power procurement during the period of the IRP2010. For the purposes of the IRP2010, there is no distinction made between coal fired power produced in Botswana coal fired power produced in South Africa, so the Company could seek to supply the coal fired power contemplated for 2019 and beyond.

As South Africa is the dominant player in the electricity market in southern Africa, the relatively small quantity of coal fired power anticipated to be procured during the period of the IRP2010 is expected to limit the opportunity to develop coal fired power in southern Africa. Furthermore, as there will be other potential independent power producers ("**IPPs**")

located in South Africa and Botswana that will be seeking to supply this market, and as the IRP2010 contemplates relatively small incremental units being put into production (typically 250 MW), the quantity of on-site power generation that can be developed at the Mmamabula Energy Complex is likely to be less than originally expected when the Company began development of the Power Projects.

A shift in the global market for thermal coal has also occurred, and although coal is not considered to be a long term source of fuel for power generation, forecasts of coal consumption suggest that the volume of seaborne traded steam coal will continue to grow, in particular for supply to India. Botswana generally has a relatively poor quality of raw coal when compared to the coal that is available from other sources (in particular Australia, Indonesia and Columbia), and as a consequence Botswana coal needs to be beneficiated in order to meet the requirements for export markets. The Indian market, however, accepts a lower quality of coal than the European market, with the result that there is a greater opportunity for Botswana coal to supply the Indian market than would be the case for the European market.

As a result, the Company undertook an assessment of the possibility to vary the preferred coal products so as to maximise the seaborne traded thermal coal suitable for the Indian market, while still consuming a reduced quantity of coal in on-site power stations so as not to have an imbalance in the product mix. This assessment indicated that it would be possible to materially increase the coal quantities that could be allocated to the Export Coal Project under this scenario, which would result in a reduction in the coal quantities that would be allocated to the Power Projects.

While no decisions have yet been made on the preferred coal products, the Company has changed its strategy from focusing on the Power Projects as the primary long-term market, with the Export Coal Project and the CTH Project as secondary markets, to focusing on the Export Coal Project as the primary long-term market, with the Power Projects and the CTH Project as secondary markets.

In a news release dated November 23, 2010, the Company announced that it had entered into a binding agreement with JSW Energy Limited ("**JSW**"), a power company listed on the National Stock Exchange of India and the Bombay Stock Exchange, whereby subject to the satisfaction of certain conditions precedent, JSW agreed to offer to acquire 100% of the issued and outstanding shares of the Company, including shares issuable pursuant to the exercise of outstanding options, for CDN\$7.42 per share pursuant to a formal take-over bid.

In a news release dated December 16, 2010, the Company announced that it had entered into a supplementary agreement with JSW, pursuant to which CIC Energy agreed to support a merger of CIC Energy with JSW Energy Natural Resources (BVI) Limited ("**JSWBVI**"), a wholly-owned subsidiary of JSW, with JSWBVI being the surviving entity (the "**Merger**"). Upon the completion of the Merger, which would also be subject to certain conditions precedent, the shareholders of the outstanding shares of CIC Energy, including any shares issued pursuant to the exercise of outstanding options, will receive CDN\$7.42 per share.

In a news release dated January 21, 2011, the Company announced that the proposed Merger was approved at a special meeting of the shareholders held earlier on the same day.

In a news release dated February 28, 2011, the Company announced that JSW and CIC Energy had agreed to extend the date for completion of the proposed Merger to March 15, 2011. In a news release dated March 15, 2011, the Company announced that JSW and CIC Energy had agreed to extend the date for completion of the proposed Merger to May 31, 2011.

There can be no assurances that the conditions precedent to the proposed Merger will be satisfied or waived in order for the Merger to proceed. In particular, in a news release dated March 31, 2011 the Company announced that the application for renewal of prospecting licence 75/2002 had not been approved by the Government of Botswana. As the renewal of prospecting licence 75/2002 is a condition precedent to the proposed Merger, if JSW does not waive this condition precedent then JSW will be entitled not to proceed with the proposed Merger.

Should the proposed Merger not be completed and the agreements with JSW in relation thereto be terminated, it is expected that the Company will need to reconsider its strategic plans, including exploring alternative corporate transactions and/or refocusing the project development activities.

The loss for the three months ended February 28, 2011 was \$5.6 million compared to a loss of \$3.3 million for the same period in the previous year. This was primarily due to an increase in advisory costs associated with the proposed Merger, and an increase in personnel costs that were not capitalised.

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 February 28, 2012. Please see *Section 5: Liquidity* below for further details.

### 3. Results of Operations

(Prepared in accordance with Canadian GAAP)

#### **Review of Operations**

(in thousands of \$)

	Three months ended February 28, 2011 (reviewed)	Three months ended February 28, 2010 (reviewed)	Year ended November 30, 2010 (audited)
Interest received	77	19	190
(Loss)/profit on foreign exchange	(191)	(625)	(601)
Total income	(114)	(606)	(410)
Office and general expenses	2,675	1,335	4,202
Personnel expenses	2,079	320	2,981
Stock based compensation	103	507	1,336
Impairment	-	-	-
Other expenses	468	449	1,931
Income taxes	118	47	319
Net loss	(5,557)	(3,265)	(11,179)

The loss for the three months ended February 28, 2011 was \$5.6 million compared to a loss of \$3.3 million for the same period in the previous year. This was primarily due to an increase in advisory costs associated with the proposed Merger, and an increase in personnel costs that were not capitalised.

#### **Exploration Properties**

As of the date of this MD&A, the Company indirectly holds one prospecting licence and one retention licence in the greater Mmamabula coalfield in south-eastern 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 one of South Africa's largest coal mines, the 19 Mt per annum Grootegeluk Colliery, located approximately 80 kilometres ("**km**") east of Mmamabula and owned by Exxaro Resources Limited.

The prospecting licence is designated as 11/2004. The retention licence is designated as 2009/1R. Prospecting licence 11/2004 and retention licence 2009/1R are together referred to in this MD&A as "**Mmamabula East**". The Company previously indirectly held another prospecting licence designated as 75/2002, which is referred to in this MD&A as "**Mmamabula South**". The prospecting licence for Mmamabula South expired on March 31, 2011 following the denial by the Government of Botswana of the Company's application for a discretionary renewal thereof.

Mmamabula East is located 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 Mmamabula East area. CIC Energy has substantially completed exploration of Mmamabula East and has conducted extensive geological analyses of Mmamabula East in order to define coal resources which will be suitable for the Export Coal Project, the Power Projects and the CTH Project.

#### *Mmamabula East*

The original Mmamabula East coal prospecting licence 11/2004 (the "**Original PL11/2004**") was granted on April 1, 2004 with a validity of three years. In December 2008 Meepong Resources (Proprietary) Limited ("**Meepong Resources**"), an indirectly wholly-owned subsidiary of the Company, submitted to the Government of Botswana a request for the division of Original PL11/2004 into two separate mineral rights, together with (i) an application for a mining licence for coal resources identified for use for the Company's export power project (known as the "**Mmamabula Energy Project**" or "**MEP**"), and (ii) an application for a renewal of the Original PL11/2004 (in respect of the balance of the coal resources) for a period of two years.

On March 27, 2009, the Government of Botswana notified the Company that the Government had approved the split of Original PL11/2004 into two separate prospecting licences designated 11A/2004, which contained the coal resources identified for use for the Mmamabula Energy Project, and 11/2004, which contained the balance of the area covered by Original PL11/2004. The Government also notified the Company that the Government had approved the transfer of prospecting licence 11/2004 from Meepong Resources to CIC Resources (Botswana) (Proprietary) Limited ("**CIC Resources (Botswana)**"), an indirectly wholly-owned Botswana subsidiary of the Company, which transfer occurred with effect from June 1, 2009.

The Government of Botswana also issued a renewal of prospecting licence 11/2004 for a period of 2 years, commencing on April 1, 2009 and ending on March 31, 2011. Under the Botswana Mines and Minerals Act (the "**Act**") such a renewal required the relinquishment of 50% of the original licence area. The Act provides that the licence holder selects the area to be relinquished, and the Company selected areas generally not considered to have commercially exploitable coal.

Prior to the expiration of prospecting licence 11A/2004 (which was September 30, 2009 following the most recent extension), Meepong Resources applied to the Government of Botswana for a retention licence over an area that included the area covered by prospecting licence 11A/2004, which retention licence 2009/1R was issued by the Government of Botswana on November 24, 2009 for a period of 3 years, commencing on October 1, 2009 and ending on September 30, 2012.

On November 17, 2010 CIC Resources (Botswana) submitted to the Government of Botswana an application for renewal of prospecting licence 11/2004, without relinquishment of any of the remaining licence area. Pursuant to the terms of the Act, a renewal in this case may be done without relinquishment of area at the discretion of the Minister of Minerals, Energy and Water Resources.

On March 31, 2011 the Company announced that the Government of Botswana had issued a renewal of prospecting licence 11/2004 for a period of two years commencing on April 1, 2011 and ending on March 31, 2013.

Please see *Mineral Resource Estimates* below for further details.

#### *Mmamabula South*

The original Mmamabula South renewal coal prospecting licence 75/2002 was granted in July 2005 and was valid for a period of two years. The Government of Botswana also issued a renewal of prospecting licence 75/2002 for a period of 2 years, commencing on April 1, 2009 and ending on March 31, 2011. Prospecting licence 75/2002 expired on March 31, 2011 following the denial by the Government of Botswana of the Company's application for a discretionary renewal thereof.

Please see *Mineral Resource Estimates* below for further details.

#### ***Mineral Resource Estimates***

CIC Energy announced updated NI 43-101 mineral resource estimates for each of Mmamabula East and Mmamabula South in June 2007. A technical report on each of Mmamabula East and Mmamabula South entitled "CIC Energy Corp.: Mmamabula Energy Complex, 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 each of Mmamabula East and Mmamabula South and other relevant information, was filed on SEDAR and may be accessed via the SEDAR website at [www.sedar.com](http://www.sedar.com).

CIC Energy announced updated NI 43-101 mineral resource estimates for each of Mmamabula East and Mmamabula South in September 2008. A technical report on each of Mmamabula East and Mmamabula South entitled "CIC Energy Corp.: Mmamabula Energy Complex, South-eastern Botswana, Project No. J912, National Instrument 43-101 Sixth Technical Report" dated September 26, 2008 (the "**Sixth Technical Report**"), containing information about the mineral resource estimates for each of Mmamabula East and Mmamabula South and other relevant information, was filed on SEDAR and may be accessed via the SEDAR website at [www.sedar.com](http://www.sedar.com).

On August 14, 2009, the Company announced by way of press release revisions to the mineral resource estimates set out in the Fifth Technical Report and the Sixth Technical Report, as applicable, to reflect the changes to the resources resulting from the relinquishment of areas with respect to prospecting licences 11/2004 and 75/2002 described in *Exploration Properties* above.

On March 31, 2011 the Company announced by way of press release the reduction to the mineral resource estimates set out in the press release of August 14, 2009 as a result of the expiration of the prospecting licence for Mmamabula South.

#### ***Coal Products***

As the drilling program has been substantially completed, the Company has conducted extensive geological modeling and analyses in order to evaluate the extent to which the measured and indicated mineral resources can be mined and beneficiated in order to support the Company's project development activities at the Mmamabula Energy Complex. The base case mining methods proposed for the mineral resources is a combination of both strip mining and conventional underground bord and pillar mining using continuous miners, with the resulting run-of-mine coal production to be beneficiated through either a single or multi-stage washing process, depending on the characteristics of the coal produced.

Based on the analysis that has been performed, the Company is confident that the coal resource will be capable of yielding coal products in the quantities and qualities required to support the Export Coal Project, the Power Projects

and the CTH Project. The Company recently undertook an assessment of the possibility to vary the preferred coal products so as to maximise the seaborne traded thermal coal suitable for the Indian market, while still consuming a reduced quantity of coal in on-site power stations so as not to have an imbalance in the product mix. This assessment indicated that it would be possible to materially increase the coal quantities that could be allocated to the Export Coal Project under this scenario, which would result in a reduction in the coal quantities that would be allocated to the Power Projects.

While no decisions have yet been made on the preferred coal products, the Company has changed its strategy from focusing on the Power Projects as the primary long-term market, with the Export Coal Project and the CTH Project as secondary markets, to focusing on the Export Coal Project as the primary long-term market, with the Power Projects and the CTH Project as secondary markets.

The ability of the Company to produce such coal products is subject to various risks and uncertainties. Please see *Section 15: Risks* and *Section 17: Cautionary Statement Regarding Forward-Looking Statements* for further details.

### ***Power Projects***

Based on projected upcoming power deficits, the southern African regional utilities, including Eskom Holdings Limited ("**Eskom**") and Botswana Power Corporation ("**BPC**"), are promoting new projects and urgently require additional power to meet their requirements. The Power Projects are intended to help address these requirements. The Company believes that the demand for power from the Power Projects will remain strong given the shortfall in generating capacity in the region. The extent of this demand may be reduced, however, by future environmental legislation or regulation in relation to, in particular, greenhouse gas emissions, given the use of coal as a fuel source for the Power Projects.

### ***Export Power Project***

The Mmamabula Energy Project, which is designation of the Company's export power project, is expected to provide approximately 1,320 MW (gross) for export to South Africa, subject to, among other things, the successful conclusion of a power purchase agreement ("**PPA**") and the raising of non-recourse project debt financing.

### ***Changes to Regulatory Framework in South Africa***

On August 5, 2009, the Department of Energy of the Government of South Africa published the Electricity Regulations on New Generation Capacity (the "**Regulations**"). The objectives of the Regulations are stated to include the regulation of the entry of a buyer and an IPP into a PPA, and the facilitation of fair treatment and non-discrimination between IPPs and the designated buyers.

Pursuant to the Regulations, procurement of capacity is to be based on an integrated resource plan, which is to be developed by the system operator (as defined in the Regulations) in consultation with the Department of Energy and the National Energy Regulator of South Africa ("**NERSA**"), and then approved by the Minister of Energy and published in the South African government gazette. The Regulations provide that the integrated resource plan is to be developed on the basis of a base plan derived from the least cost generation investment requirement, with risk adjustment to the base plan based on most probable scenarios and government policy objectives.

Following the publication of the integrated resource plan, the Regulations provide that the system operator shall undertake a feasibility study to determine, inter alia, whether procurement of generation capacity should be undertaken by Eskom, another utility or an IPP. The Regulations provide that the Minister of Energy shall then make a determination on the procurement of generation capacity, considering the outcome of the feasibility study, and in the case of procurement of generation capacity through an IPP, the approval of the Minister of Finance. In addition, the

Regulations provide that the buyer that will enter into a PPA with an IPP will also be determined by the Minister of Energy.

The Regulations also provide that NERSA shall prepare and pass rules for the purposes of cost recovery by the system operator and the buyer.

As a result of delays in the regulatory approval process, the Company reassessed its program of project development activities for the Mmamabula Energy Project, and on December 14, 2009 the Company announced that it had determined that it would be prudent to defer project development activities for the Mmamabula Energy Project unrelated to the regulatory approval process in South Africa until such time as the IRP2010 had been completed.

The South African Department of Energy published draft revised Electricity Regulations on New Generation Capacity (the "**Revised Regulations**") for public comment on November 30, 2010, with the deadline for submission of comments being January 21, 2011. The Revised Regulations include provisions that the Company understands would, inter alia, permit the Minister of Energy and the Minister of Finance to exempt any person or project from complying with certain of the provisions thereof, including the requirement that the procurement of capacity is to be based on the IRP2010 (or any successor thereto).

The South Africa Department of Energy issued a document entitled "Integrated Resource Plan for Electricity 2010-2030 – Final Report" dated March 25, 2011 for the purpose of promulgation of the IRP2010. Based on the Company's understanding of the contents thereof, there will not be an opportunity for the Company to supply capacity to South Africa prior to 2019, and then only in amounts smaller than envisaged for the Mmamabula Energy Project. As a result, the Company does not intend to resume project development activities in relation to the MEP for the time being.

#### *Licences and Permits*

The Company announced on December 1, 2008 that it had completed the final mine plan for the coal mine that would supply the MEP power station, intended to be developed to the east of the power station in an area covered by retention licence 2009/1R identified substantially as the Serorome block in the Sixth Technical Report. Meepong Resources submitted a mining licence application to the Government of Botswana for this mine in December 2008. The Government of Botswana has not yet made a determination regarding this application, pending the resumption of development of the MEP.

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 previously approved by the Government of Botswana. Approval of the EIA study related to the transport corridor, the revised transmission routing (necessary in order to coordinate with the routing approved by the Government of the Republic of South Africa) and the upgrade of the Parr's Halt / Stockpoort border crossing between South Africa and Botswana and the road from such border crossing to the MEP site has also been received.

CIC Energy submitted an amended EIA study to the Government of Botswana with respect to the revised mining plan to be employed by Meepong Resources. The review of this EIA study by the relevant authorities of the Government of Botswana has not yet been completed, pending the resumption of development of the MEP. Approval of this EIA is a prerequisite for the granting of a mining licence, an IPP licence, and surface rights required for the MEP.

#### *Procurement Processes*

In a news release of March 23, 2009, the Company announced that an Engineering, Procurement and Construction ("**EPC**") contract has been signed between Meepong Energy (Proprietary) Limited ("**Meepong Energy**") and Shanghai

Electric Group Co., Ltd. ("**SEC**") for the MEP power station. The planned capacity of the power station will be approximately 1,320 MW (gross) or 1,200 MW (net) comprised of two supercritical 660 MW units (gross). In a news release of June 22, 2010, the Company announced that the EPC contract with SEC had been extended beyond the period that had been expected to be required for approval of the IRP2010 by the South African Department of Energy, which period has lapsed. As a result, each of SEC and Meepong Energy has a contractual right to terminate the EPC contract on notice to the other party. As of the date of this MD&A, no such notice had been issued by either SEC or Meepong Energy and the the EPC contract remains in force and effect.

The Company had also been conducting discussions with potential contractors and equipment suppliers for the development of the mine, including coal beneficiation and handling equipment. Certain additional infrastructure works would be required to be developed in order to support and augment the work that will be done by the power station EPC contractor and the mine contractors. CIC Energy had undertaken a competitive tender process for the performance of these infrastructure works, which was in an advanced stage, but was not yet completed. Those tenders that were received had limited validity periods, which have been exceeded.

The Company is not currently engaged in any procurement processes related to the MEP. Please see *Project Development Timetable* below for further details.

#### *Financing Process*

The Company announced on March 23, 2009 the appointment of ABSA Capital, a division of ABSA Bank Limited ("**ABSA**"), and The Standard Bank of Southern Africa Limited ("**Standard Bank**"), two leading South African banks, as mandated lead arrangers for the Mmamabula Energy Project. The Company announced on August 18, 2009 the appointment of Bank of China Limited as mandated lead arranger for a US\$500 million Chinese commercial bank facility for the Mmamabula Energy Project. These appointments were for stated periods of time that have now expired.

The Company is not currently engaged in any financing processes related to the MEP. Please see *Project Development Timetable* below for further details.

#### *Equity Investment*

The Company announced on July 27, 2009 that a Project Development Agreement had been signed with International Power plc ("**IPR**") with respect to the Mmamabula Energy Project, which agreement set out the framework under which the Company and IPR would endeavour to negotiate definitive agreements pursuant to which IPR would become a 35% equity participant in the MEP, and would be responsible for the operations and maintenance of the power station component of the MEP. Certain milestones under the Project Development Agreement were not achieved and as a result the Project Development Agreement expired in accordance with its terms.

The Company is not currently engaged in any negotiations related to equity investment in the MEP. Please see *Project Development Timetable* below for further details.

#### *Project Development Timetable*

The ability of the Company to complete the Mmamabula Energy Project is subject to various risks and uncertainties.

Based on the Company's understanding of the contents of the "Integrated Resource Plan for Electricity 2010-2030 – Final Report", there will not be an opportunity for the Company to supply capacity to South Africa prior to 2019, and then only in amounts smaller than envisaged for the Mmamabula Energy Project. As a result, the Company does not intend to resume project development activities in relation to the MEP for the time being, and is not in the position as of the date of this MD&A to evaluate when financial close (being the point in a limited recourse project such as the MEP

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, "**Financial Close**") of the MEP may be achieved. Please see *Section 15: Risks* and *Section 17: Cautionary Statement Regarding Forward-Looking Statements* for further details.

### ***Domestic Power Project***

The Company's domestic power project is expected to provide approximately 300 MW (gross) for sale to BPC, subject to, among other things, the successful conclusion of a PPA and the raising of non-recourse project debt financing.

### *Equity Investment*

In a news release of August 26, 2010, the Company announced the signing of a shareholders' agreement (the "**MDPP Shareholders' Agreement**") in relation to a 300 MW (gross) domestic power project (known as the "**Mookane Domestic Power Project**" or "**MDPP**"). The MDPP Shareholders' Agreement is between CIC International (Barbados) Corp. ("**CIC International**"), a wholly-owned subsidiary of CIC Energy, and GCL (Botswana) Limited ("**GCL Botswana**"), a subsidiary of GCL Projects (Botswana) Limited ("**GCL**"). GCL is an indirect wholly-owned subsidiary of Golden Concord Group Limited ("**Golden Concord**"). CATIDC Power (Pty) Ltd, a subsidiary of the China-Africa Trade & Industry Development Corporation is a minority shareholder of GCL Botswana.

Under the terms of the MDPP Shareholders' Agreement, CIC International had the right to elect to retain the coal resources that were intended to be used for the MDPP in the event that certain documents in relation to the MDPP, including a power purchase agreement, had not been executed by December 31, 2010. CIC International notified GCL Botswana of the exercise of such election on January 9, 2011.

On February 24, 2011, GCL Botswana filed a Notice of Arbitration in the Hong Kong International Arbitration Centre in relation to the MDPP Shareholders' Agreement (the "**Notice of Arbitration**"), pursuant to which GCL Botswana is seeking a declaration that (i) the MDPP Shareholders' Agreement, and the obligations thereunder of CIC International, continue in force and effect, and (ii) CIC International is obliged to comply with its obligations under the MDPP Shareholders' Agreement.

On March 25, 2011, CIC International filed its Answer to the Notice of Arbitration, in which CIC International has stated inter alia that CIC International agrees that it is obliged to comply with its obligations as set out in the MDPP Shareholders' Agreement, and as a consequence it is CIC International's position that there is no dispute between the parties.

### *Engagement with BPC and the Government of Botswana*

On August 27, 2010, the Company and Golden Concord submitted to BPC and the Government of Botswana a commercial offer in relation to the MDPP (the "**MDPP Commercial Offer**"), including a tariff structure and proposed draft documentation. The MDPP Commercial Offer included a deadline for acceptance, and execution of a PPA, of December 31, 2010, which deadline passed without the execution of a PPA. As a result, new commercial terms and conditions for an alternative commercial offer would need to be negotiated and agreed by the Company and Golden Concord in order to resume development of the MDPP. CIC International also notified GCL that this may require, inter alia, a new site selection, transmission solution and environmental impact assessments. It is the Company's view that CIC International has no obligation under the MDPP Shareholders' Agreement to agree new commercial terms and conditions for an alternative commercial offer.

### *Procurement Processes*

The technical solution for the MDPP power plant, including completion of the basic engineering design and integration into the BPC transmission grid was substantially completed prior to the submission of the MDPP Commercial Offer. In addition, the mine plan for the MDPP coal mine, which has been planned to initially produce 1.3 million tonnes per annum, and the technical solution for a coal beneficiation process to ensure compliance with international environmental emissions standards, were also completed prior to the submission of the MDPP Commercial Offer. Negotiations were ongoing for an engineering, procurement and construction contract with respect to all capital assets required for the MDPP, however the Company has advised GCL that given the expiration of the MDPP Commercial Offer, the Company does not think it is beneficial to continue such negotiations.

### *Licences and Permits*

An application for a mining licence for the mine intended to supply the MDPP was submitted to the Government of Botswana on September 7, 2010. The planned capacity of the coal mine was to be approximately 1.3 million run-of-mine tonnes per annum, based on a power station capacity of approximately 300 MW (gross). On February 15, 2011 the Company notified the Government of Botswana that the Company was withdrawing this application as a result of the expiration of the MDPP Commercial Offer.

Applications for EIA approvals for the proposed MDPP power station, coal mine and related infrastructure were submitted to the Government of Botswana. No decisions have been received regarding these applications, and the Company understands that the Government of Botswana is not actively considering them, given the expiration of the MDPP Commercial Offer.

### *Project Development Timetable*

Given the expiration of the MDPP Commercial Offer, the Company is not in the position as of the date of this MD&A to evaluate the future timetable for development of the MDPP.

Please see *Section 15: Risks* and *Section 17: Cautionary Statement Regarding Forward-Looking Statements* for further details.

### **Export Coal Project**

A mine, rail and port pre-feasibility study for the Export Coal Project to investigate the exporting of seaborne traded high grade thermal coal from the Mmamabula Energy Complex site to a port on the west coast of southern Africa has been completed by the Company. A rail line of approximately 1,500 kilometres 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 Company has signed a non-binding consortium agreement with certain other parties in the region that are interested in participating as joint venture partners in the preparation of a bankable feasibility study and ultimately as users of the rail and port facilities, should a decision be made to proceed with the development thereof (the "**Consortium**").

In September 2010, the Government of Botswana and the Government of Namibia published a Request for Expressions of Interest in relation to the development of the Trans Kalahari Railway Line and a port in Namibia. The intention is to shortlist potential developers that have inter alia strong financial capability, relevant railway line and port development technical capabilities, and experience and expertise in railway line and port construction and operations. A total of approximately 30 responses were submitted by interested parties, including a response submitted by the Consortium. Under the terms stated in the Request for Expressions of Interest, the Government of Botswana and the

Government of Namibia are to evaluate the submission and select a short list of parties that will be invited to participate in a formal tender process. The Company understands that this evaluation process is ongoing.

The Company does not anticipate significant further expenditure on the Export Coal Project until the process undertaken by the Government of Botswana and the Government of Namibia is further advanced.

The ability of the Company to complete the Export Coal Project is subject to various risks and uncertainties. Please see *Section 15: Risks* and *Section 17: Cautionary Statement Regarding Forward-Looking Statements* for further details.

### **CTH Project**

The Company recently received responses to a request for proposals that was sent to a group of international companies regarding the production of low sulphur diesel fuel and associated products primarily for the domestic Botswana market utilising clean above ground coal gasification technology and Fischer-Tropsch technology. These responses are currently being evaluated.

The Company does not anticipate significant further expenditure on the CTH Project until the responses to such request for proposals have been evaluated.

The ability of the Company to complete the CTH Project is subject to various risks and uncertainties. Please see *Section 15: Risks* and *Section 17: Cautionary Statement Regarding Forward-Looking Statements* for further details.

### **Water supply**

CIC Energy has assessed the water demands of the Mmamabula Energy Complex and the potential sources of water. As part of CIC Energy'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 1,500 km<sup>2</sup>. The area lies to the southwest of Kudumatse and north of Mmamabula East. 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 Project site. The results of this modeling study, corroborated by independent review by Government of Botswana water authorities and international peer reviewers, indicated that sufficient ground water resources are available to supply 12 million cubic metres of water per year for a period of 40 years to the Mmamabula Energy Complex.

On September 10, 2007, Meepong Water (Proprietary) Limited ("**Meepong Water**"), an indirect wholly-owned subsidiary of CIC Energy, was granted groundwater abstraction rights from the Water Apportionment Board in Botswana in support of the water requirements for the Mmamabula Energy Project. Approval of the EIA related to groundwater wellfields for the MEP was received from the Department of Environmental Affairs of the Government of Botswana on September 5, 2008.

On February 23, 2011, Meepong Water was granted amended groundwater abstraction rights from the Water Apportionment Board in support of the water requirements for the Power Projects and the Export Coal Project.

**4. Summary of Quarterly Results**  
(Prepared in accordance with Canadian GAAP)

Net Income Highlights  
(in thousands of \$)

Quarters ended	Total income	Total expenses	Net loss	Basic and diluted loss per share
February 28, 2011*	(114)	5,325	(5,439)	(0.11)
November 30, 2010**	(920)	3,285	(4,205)	(0.08)
August 31, 2010*	836	2,344	(1,508)	(0.03)
May 31, 2010*	279	2,480	(2,201)	(0.04)
February 28, 2010*	(606)	2,612	(3,218)	(0.06)
November 30, 2009**	158	544	(386)	(0.01)
August 31, 2009*	(950)	2,353	(3,303)	(0.06)
May 31, 2009*	539	2,662	(2,123)	(0.04)

\* reviewed

\*\* unaudited

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 development expenses. Total expenses were generally consistent reflecting the ongoing operating costs of the Company.

Non-capitalised expenditure levels in the current quarter were higher than those in the same quarter of the prior year.

Cash Flow Highlights  
(in thousands of \$)

	Three months ended February 28, 2011 (reviewed)	Three months ended February 28, 2010 (reviewed)	Year ended November 30, 2010 (audited)
Operating activities	(5,261)	(3,804)	(9,479)
Investing activities	(1,045)	(2,411)	(7,280)
Financing activities	-	-	-
Beginning cash balance	25,709	42,468	42,468
Net cash flow for the period	(6,306)	(6,215)	(16,759)
Ending cash balance	19,403	36,253	25,709

**Operating Activities**

For the three months ended February 28, 2011, operating activities utilised \$5.3 million cash compared with \$3.8 million in the same period in 2010. This was primarily due to an increase in advisory costs associated with the proposed Merger, and an increase in personnel costs that were not capitalised.

### ***Investing Activities***

Investing activities for the three months ended February 28, 2011 utilised \$1.0 million cash compared with \$2.4 million in the same period in 2010. This was due primarily to reduced investment related to project development activities on the Power Projects.

### ***Financing Activities***

There were no financing activities for the three months ended February 28, 2011 or for the same period in 2010.

## **5. Liquidity**

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements to sophisticated investors and institutions. The Company's access to such funding is always uncertain and there can be no assurance of continued access to equity funding if required in order for the Company to meet its planned business objectives.

As of February 28, 2011, the Company had cash and cash equivalents of approximately \$19.7 million, which 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 28, 2012. These amounts are budgeted for such period to be approximately \$17.6 million. This would leave a cash balance as of February 28, 2012 of approximately \$2.1 million (ignoring changes in working capital).

As a result of the expiration of the MDPP Commercial Offer, the Company does not have any significant committed costs in relation to the Mookane Domestic Power Project. The Company would be required to raise additional funding in order to proceed with the development of the MDPP. Such additional funding would consist primarily of equity raised via joint venture arrangements related to the MDPP and/or capital raising by CIC Energy. The ability to raise such funding is always uncertain and there can be no assurance that such funds would be available in the amounts required on acceptable terms.

The Company is not currently incurring any material costs in relation to the Mmamabula Energy Project, the Export Coal Project, or the CTH Project, and does not anticipate incurring any such costs during the current fiscal year. Should the Company decide to incur material project development costs for the Mmamabula Energy Project, the Export Coal Project, or the CTH Project, the Company would be required to raise additional funding prior to doing so. Such additional funding would consist primarily of equity raised via joint venture arrangements and/or further capital raising by CIC Energy. The ability to raise such funding is always uncertain and there can be no assurance that such funds would be available in the amounts required on acceptable terms.

The Company has no long term debt, capital lease obligations, purchase obligations (being an agreement to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms) or any other material long term obligations, other than leases and rentals of office premises. The Company's financial instruments are limited to cash and cash equivalents, other receivables, accounts payable and accrued liabilities of a short term duration and are not subject to trading risk. The Company does not consider that it is currently exposed to any significant risks of default on dividend payments, debt payments, debt covenants or other contractual obligations.

Please see *Section 15: Risks* and *Section 17: Cautionary Statement Regarding Forward-Looking Statements* for further details.

## 6. Capital Resources

### *Working Capital*

As of February 28, 2011, the Company had cash and cash equivalents of approximately \$19.7 million, compared to \$36.3 million as of February 28, 2010. The reduction reflects the excess of cash used in investment activities and financing activities over cash generated from operating activities. The Company has no long-term debt.

### *Capital Expenditure*

As of February 28, 2011, the Company has capitalised a total of \$176 million in respect of exploration and project development, including \$1.0 million that was capitalised during the three months ended February 28, 2011. A summary of the allocation of the total capitalised amounts (on a project and company basis) is set out below.

#### *Exploration*

(in thousands of \$)

	Balance at November 30, 2010	(Disposals) / Additions three months ended February 28, 2011	Balance at February 28, 2011
CIC Resources (Botswana) (Pty) Ltd.	61,686	1,046	62,732
Total	61,686	1,046	62,732

These costs represent expenditures for acquisition, drilling, geological analysis, and related costs for coal resources that have not yet been allocated to a project.

#### *Mmamabula Energy Project*

(in thousands of \$)

	Balance at November 30, 2010	(Disposals) / Additions three months ended February 28, 2011	Balance at February 28, 2011
Meepong Energy (Pty) Ltd.	57,042	0	57,042
Meepong Resources (Pty) Ltd.	46,433	0	46,433
Meepong Water (Pty) Ltd.	3,356	0	3,356
Meepong Services (Pty) Ltd.	179	0	179
Total	107,010	0	107,010

The Mmamabula Energy Project is intended to produce electricity by means of a coal fired thermal power station, with an associated coal mine, wellfield and water treatment plant, and associated infrastructure. These figures include dedicated staff and consulting costs incurred in developing this opportunity, and associated exploration and related costs for coal resource development.

As the Company is not currently engaged in project development activities in relation to the MEP, the Company is not in the position as of the date of this MD&A to evaluate the expected timetable or level of expenditure that would be required for the successful development of the MEP.

*Mookane Domestic Power Project*  
(in thousands of \$)

	Balance at November 30, 2010	(Disposals) / Additions three months ended February 28, 2011	Balance at February 28, 2011
Golden Concord Mookane Power (Pty) Ltd.	175	0	175
Total	175	0	175

The Mookane Domestic Power Project is intended to produce electricity by means of a coal fired thermal power station, with an associated coal mine, wellfield and water treatment plant, and associated infrastructure. As a result of the expiration of the MDPP Commercial Offer, the Company is not in the position as of the date of this MD&A to evaluate the expected timetable or level of expenditure that would be required for the successful development of the MDPP.

*CTH Project*  
(in thousands of \$)

	Balance at November 30, 2010	(Disposals) / Additions three months ended February 28, 2011	Balance at February 28, 2011
CIC Resources (Botswana) (Pty) Ltd.	3,933	0	3,933
Total	3,933	0	3,933

The CTH Project is intended to produce synthesis gas from coal, which can then be converted to a variety of downstream products including petrochemicals, gas and fuels. These figures include dedicated staff and consulting costs incurred in developing this opportunity, but do not include any exploration and related costs for coal resource development referred to under *Exploration Properties* above.

The Company is currently evaluating responses received to a request for proposals to a group of international companies regarding the production of low sulphur diesel fuel and associated products primarily for the domestic Botswana market utilising clean above ground coal gasification technology and Fischer-Tropsch technology. The review of such proposals is not expected to require material expenditures.

*Export Coal Project*  
(in thousands of \$)

	Balance at November 30, 2010	(Disposals) / Additions three months ended February 28, 2011	Balance at February 28, 2011
CIC Resources (Botswana) (Pty) Ltd.	2,380	0	2,380
Total	2,380	0	2,380

The Export Coal Project is intended to develop a coal export capability to international markets. These figures include dedicated staff and consulting costs incurred in developing this opportunity, but do not include any exploration and related costs for coal resource development referred to under *Exploration Properties* above.

The Export Coal Project is not expected to require material expenditures during the current fiscal year.

### **Capital Raising Activities**

There were no fund raising activities during the three months ended February 28, 2011.

### **7. Off-Balance Sheet Arrangements**

As of the date of this MD&A, there were no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

### **8. Transactions with Related Parties**

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

#### *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. On April 21, 2010 the Company executed an amendment to the Warrant Agreement to clarify that the consulting services were to be provided for a period of one year.

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.

On December 17, 2010 the Company and Moxirex executed an amendment agreement in relation to the Warrant Agreement and the terms of the Warrants. Pursuant to the amendment agreement, certain of the milestones for vesting of the warrants have been eliminated, the date for achievement of vesting in relation to Financial Close of the Mmamabula Energy Project has been extended and the expiry date of the warrants will be extended by three months in certain circumstances. The amendments contemplated in the Amendment Agreement are subject to CIC Energy obtaining such stock exchange, corporate and other approvals (including shareholder approval, if necessary) as may be required. As of the date of this MD&A, no approvals (other than by the Board of Directors of the Company) have been obtained.

As of the date of this MD&A, none of the vesting conditions had been met and therefore none of the Warrants had been accounted for.

## **9. Proposed Transactions**

In a news release dated November 23, 2010, the Company announced that it had entered into a binding agreement with JSW whereby subject to the satisfaction of certain conditions precedent, JSW agreed to offer to acquire 100% of the issued and outstanding shares of the Company, including shares issuable pursuant to the exercise of outstanding options, for CDN\$7.42 per share pursuant to a formal take-over bid.

In a news release dated December 16, 2010, the Company announced that it had entered into a supplementary agreement with JSW, pursuant to which CIC Energy agreed to support the proposed Merger. Upon the completion of the proposed Merger, which would also be subject to certain conditions precedent, the shareholders of the outstanding shares of CIC Energy, including any shares issued pursuant to the exercise of outstanding options, will receive CDN\$7.42 per share.

In a news release dated January 21, 2011, the Company announced that the proposed Merger was approved at a special meeting of the shareholders held earlier on the same day.

In a news release dated February 28, 2011, the Company announced that JSW and CIC Energy had agreed to extend the date for completion of the proposed Merger to March 15, 2011. In a news release dated March 15, 2011, the Company announced that JSW and CIC Energy had agreed to extend the date for completion of the proposed Merger to May 31, 2011.

The conditions precedent to the conclusion of the proposed Merger include the approval by the Government of Botswana of the change of beneficial ownership of Meepong Resources and CIC Resources (Botswana) in accordance with the Act, confirmation from the Botswana Unified Revenue Service that no tax liability would arise on JSW or the Company (or any of its subsidiaries) as a result of the proposed Merger, and the renewal by the Government of Botswana of the prospecting licences held by CIC Resources (Botswana) without any further relinquishment of the mineral resources under such prospecting licences.

The ability of the Company to satisfy such conditions precedent is subject to various risks and uncertainties. The approval of the change of beneficial ownership of Meepong Resources and CIC Resources (Botswana) and the confirmation as to tax liability are still under consideration by the Government of Botswana. In a news release dated March 31, 2011 the Company announced that the application for renewal of prospecting licence 75/2002 had not been approved by the Government of Botswana. As the renewal of prospecting licence 75/2002 is a condition precedent to the proposed Merger, if JSW does not waive this condition precedent then JSW will be entitled not to proceed with the proposed Merger.

Please see *Section 15: Risks* and *Section 17: Cautionary Statement Regarding Forward-Looking Statements* for further details.

## **10. 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 month period ended February 28, 2011.

Critical accounting estimates represent estimates that are uncertain and for which changes in those estimates could materially impact on CIC Energy'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 expenditure***

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 both by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset, and by an estimation of current market value of comparable resources *in situ*. If the carrying amount of an asset exceeds its estimated future cash flows and estimated current market value, an impairment charge is recognised by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Management has considered the carrying amounts of the long-lived assets and has determined that the estimated undiscounted future cash flows expected to be generated by the Company's project development activities and/or estimated current market values are expected to exceed the carrying amount of such long-lived assets. Management is currently assessing whether any impairment will be necessary going forward as a result of developments that have occurred after February 28, 2011, in particular in relation to the expiration of the prospecting licence for Mmamabula South.

A failure to reach Financial Close of the Mmamabula Energy Project and/or the Mookane Domestic Power Project accompanied by an inability to develop alternative markets for the coal resource and/or a reduction in current market value of comparable resources *in situ* could result in the need to impair assets related to the exploration properties.

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 discontinued operations 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 recognised 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 recognised in income in the period that includes the date of substantive enactment. In assessing future tax assets, CIC Energy considers whether it is more likely than not that some portion or all of the future income tax assets will be realised and whether a valuation allowance is required.

***Stock based compensation***

CIC Energy offers stock based compensation to directors, officers, employees and key consultants from time to time under either CIC Energy's rolling ten percent stock option plan or in the form of warrants granted in accordance with the rules and regulations of the TSX.

CIC Energy uses the Black-Scholes model to estimate the fair value of stock based compensation. Under the fair value based method, compensation cost for equity settled stock based compensation and direct awards of stock is measured at fair value at the grant date, while compensation costs for awards that call for settlement in cash or other assets, or are stock appreciation rights that call for settlement in cash or other assets, or are stock appreciation rights that call for

settlement by the issuance of equity instruments, is measured at the ultimate settlement amount. Compensation cost is recognised in earnings on a straight-line basis over the relevant vesting period. The counterpart is recognised in contributed surplus. Upon exercise of a stock option or warrant, 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 stock based compensation, require inputs such as expected volatility, expected life to exercise and interest rates. The Company evaluates the relevant inputs at the end of each fiscal quarter based on historical volatility and expectations on the achievement of milestones for stock based compensation that vests on achievement of milestones rather than the passage of time. Changes in any of these inputs could cause a significant change in the stock-based compensation expense charged in a period.

## **11. Changes in Accounting Policy**

### *(a) Business Combinations; Consolidated Financial Statements; Non-Controlling Interest*

The CICA issued three new accounting standards in January 2009: Section 1582, Business combinations; Section 1601, Consolidated financial statements; 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.

Section 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.

In January 2009, the Accounting Standards Board 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.

The adoption of these new standards are not expected to have any material impact on the Company's financial statements.

### *(b) Recognition and measurement of financial instruments*

In June 2009, certain amendments were made to Section 3855, financial instruments – Recognition and measurement, which will be effective for fiscal years beginning on or after January 1, 2011. These amendments will (i) clarify the application of the effective interest method following an impairment loss of an investment in debt instruments classified as held-to-maturity and as available for sale, and (ii) 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. The Company is in the process of evaluating the requirements of these new standards.

*(c) Adoption of International Financial Reporting Standards*

In February 2008, the Accounting Standards Board confirmed that International Financial Reporting Standards ("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 IFRS, as a result of which the Company's first consolidated financial statements that will be prepared in accordance with IFRSs and IFRS-1 First-time Adoption of International Financial Reporting Standards will be for the financial year ending November 30, 2012.

The Company has completed the scoping phase of its conversion process, in which the major differences between Canadian GAAP and IFRS were identified and reviewed. During the next stage of the conversion process, the Company will determine, as necessary, the accounting policies that will be used in preparing the opening IFRS statement of financial position, the adjustments that will be required to the financial statements previously prepared in accordance with Canadian GAAP, and an explanation of how the transition from Canadian GAAP to IFRS will affect the Company's financial position, financial performance and cash flows.

**12. Financial Instruments and Other Instruments**

The only financial instruments that the Company has are cash and cash equivalents, other receivables, accounts payable and accrued liabilities which are short-term financial instruments whose fair value approximates their carrying value given that their maturity period is short. CIC Energy is exposed to foreign currency risk with respect to certain of its receivables and accounts payable and other accrued liabilities. The Company does not mitigate this risk.

As of the date of this MD&A, there were no other instruments held by the Company that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

**13. Disclosure of Outstanding Share Data**

The following details the share capital structure as at April 6, 2011. 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		52,573,969
Share Options	April 17, 2014	\$6.90	745,000	4,505,000
	July 26, 2014	\$8.00	290,000	
	Aug 6, 2017	\$4.00	600,000	
	Dec 16, 2017	\$2.00	810,000	
	Jan 12, 2018	\$2.00	1,315,000	
	June 2, 2018	\$2.00	745,000	
Warrants	April 21, 2013	\$1.75	13,061,448	13,061,448

Total number of Fully Diluted Shares				70,140,417

**14. Internal Control Over Financial Reporting**

No changes were made to the Company's internal control over financial reporting during period beginning on December 1, 2010 and ended on February 28, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**15. Risks**

The operations of CIC Energy are high-risk due to the scope, complexity, nature and stage of development of the Mmamabula Energy Complex. CIC Energy has a limited operating history from which its business and prospects can be evaluated. As a result, forecasts of any potential growth of the business of CIC Energy are difficult to evaluate. CIC Energy's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development. The following risk factors could materially affect CIC Energy's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to CIC Energy. CIC Energy may face additional risks and uncertainties other than those listed below, including, risks and uncertainties that are unknown to CIC Energy or risks and uncertainties that CIC Energy now believes to be unimportant, which could have a material adverse effect on the business of CIC Energy. If any of the following risks actually occur, the business, financial condition and/or results of operations of CIC Energy could be negatively affected.

The completion of the proposed Merger is subject to the satisfaction or waiver of certain conditions precedent. In particular, the application for renewal of prospecting licence 75/2002 was not approved by the Government of Botswana, which approval is a condition precedent to the proposed Merger. If JSW does not waive this condition precedent then JSW will be entitled not to proceed with the proposed Merger. The failure of CIC Energy and/or JSW to satisfy the conditions precedent to the completion of the proposed Merger (including, but not limited to, the failure to obtain any required governmental assurances and/or regulatory approvals, the occurrence of a material adverse change respecting the Company and/or the failure of CIC Energy to amend and/or terminate certain contracts within the requisite time) could result in the proposed Merger not proceeding.

Should the proposed Merger not be completed and the agreements with JSW in relation thereto be terminated, it is expected that the Company will need to reconsider its strategic plans, including exploring alternative corporate transactions and/or refocusing the project development activities, which could negatively affect the business, financial condition and/or results of operations of CIC Energy.

***Project Development Risks***

The development of the projects contemplated for the Mmamabula Energy Complex is dependent on CIC Energy or its affiliates entering into all of the requisite agreements. CIC Energy has entered into a number of memoranda of understanding, heads of agreement and other contractual arrangements concerning the development of the Power Projects and the Export Coal Project. If CIC Energy or its affiliates fail to enter into all requisite definitive agreements, CIC Energy or such affiliates may be unable to proceed with the development of the Power Projects, the Export Coal Project or the CTH Project. The ability to secure such agreements in the first instance is beyond the control of CIC Energy and, furthermore, due to the planned scale of operations, CIC Energy, whether directly or indirectly, is dependent on third parties for the conclusion of such contracts on favourable terms. In addition, the success of each of

the Power Projects, the Export Coal Project and the CTH Project will be dependent upon each of the contractual counterparties complying in all material respects with the terms and conditions of the relevant contracts. Any breach by any of such entities of their obligations would adversely affect the successful development and operation of the relevant Power Project, Export Coal Project and CTH Project, and in turn, the business, financial condition and results of operations of CIC Energy.

The Export Coal Project is dependent on the development by the Government of Botswana and the Government of Namibia of a railway line from the Mmamabula Energy Complex site to a port on the coast of Namibia, and coal handling terminal and related facilities at such port. Any delay by the Government of Botswana and the Government of Namibia in developing the railway line and port facilities would have a material adverse effect on the development of the Export Coal Project, and therefore on the business, financial condition and/or results of operations of CIC Energy.

Although the EPC Contract for the Mmamabula Energy Project is still in force and effect, it is likely that the continued delay in the development of the MEP will result in the need to renegotiate the EPC Contract prior to the resumption of development of the MEP. There can be no assurance that any such renegotiation would be successful, which may adversely affect the ability of the Company to successfully develop the Mmamabula Energy Project, including achieving Financial Close of the MEP in a timely manner or at all, which may, in turn, adversely affect the business, financial condition and results of operations of CIC Energy.

The power produced by the Power Projects is intended to be sold under PPAs to be entered into with the relevant off-takers (expected to be BPC in the case of sales in Botswana and a buyer to be designated by the South African Minister of Energy in the case of sales in South Africa), with each such PPA having an operating term of approximately 30 years. The price and amount of capacity and energy that may be sold under a PPA is beyond the control of CIC Energy. The failure to conclude PPAs on favourable terms could result in the Power Projects being commercially unfeasible.

The successful conclusion of the PPAs for the Power Projects, including the agreement on the price of capacity and energy thereunder, will require the approval of, inter alia, the Department of Energy and National Treasury in respect of sales in South Africa and BPC and the Ministry of Minerals, Energy and Water Resources in respect of sales in Botswana. The price of electricity under the PPA in South Africa is also subject to regulatory approval by NERSA in South Africa, which will have due regard to the price of alternative competitive power supplies, including the approval of cost recovery for the buyer designated by the Minister of the Department of Energy in South Africa.

In order to finalise the PPAs for the Power Projects, certain concessions may need to be obtained from the Government of Botswana, including tax concessions. Failure to obtain such concessions may have a material adverse impact on the viability and possible profitability of the Power Projects and on CIC Energy's financial condition.

In order to successfully develop the Power Projects, CIC Energy may have to incur costs or accept liability for termination amounts for preliminary design work, early construction works and other preparatory work, both to the EPC contractors and to third parties, which amounts would be incurred prior to the achievement of Financial Close of the relevant Power Project. In the event that Financial Close for the relevant Power Project is not subsequently achieved, it may not be possible for CIC Energy to recover such costs, which would have a negative impact on CIC Energy's business, financial condition and/or results of operations.

Significant mining and processing plant equipment for the mining operations, as well as general infrastructure, will be required to be procured for each of the Power Projects, the pricing and availability of which is beyond the control of CIC Energy.

CIC Energy's business plans depend on its ability to hold various mineral rights which requires certain licences, permits and authorisations and, in some cases, renewals of existing licences, permits and authorisations from various

governmental and quasi-governmental authorities. CIC Energy's ability to obtain, maintain or renew such licences, permits and authorisations 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 Energy's properties are not subject to undetected or unregistered interests or claims, whether in contract or tort, which could be material and adverse to CIC Energy.

The ownership and operation of the proposed power station for each Power Project is dependent on the ability of the respective project companies to obtain an IPP licence, which will be subject to the fulfillment of a number of conditions, including the discretion of authorities in the Government of Botswana. The ownership and operation of the proposed mine for each Power Project is dependent on the ability of the respective project companies to obtain a mining licence, which will be subject to the fulfillment of a number of conditions, including the discretion of authorities in the Government of Botswana. In addition to the IPP licence and the mining licence, there are other licences, permits, consents, approvals and concessions required from the Government of Botswana in order to proceed with the development and operation of each Power Project. The inability to obtain the relevant IPP licences, mining licences, or any other such licences, permits, consents, approvals and concessions would have a material adverse effect on CIC Energy's business, financial condition and/or results of operations.

The development of the Export Coal Project is conditional upon obtaining certain licences, permits and approvals from the relevant governmental authorities in Botswana. If there is a delay in receiving such approvals, or the Company is unable to obtain any required licences, permits and approvals, this would have a material adverse effect on the development of the Export Coal Project, and therefore on the business, financial condition and/or results of operations of CIC Energy.

CIC Energy is dependent on the services of key executives, including certain of its directors and a small number of highly skilled and experienced consultants. Due to the relatively small size of CIC Energy, the loss of these persons or CIC Energy's inability to attract and retain additional highly skilled employees or consultants may adversely affect its business and future operations.

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

### ***Operating Risks***

Resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies which derive estimates of cash operating costs based upon anticipated tonnage and grades of coal to be mined and processed, ground conditions, the configuration of the coal seams, expected recovery rates of coal from the seams, estimated operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual cash operating costs and economic returns will differ significantly from those estimated for a project prior to production. New mining operations may experience unexpected problems during the start-up phase and delays in the commencement of production can occur. 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.

The operation of each Power Project will be subject to a number of risks and hazards, generally, including adverse environmental and climatic conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory regime, natural phenomena, flooding, delays or failures in obtaining required licences, permits and authorisations, supplies, machinery, equipment or labour and other risks typically associated with mining/industrial/logistical development and operations. Unknown factors with respect to

such development and operations are also involved. Existing and future environmental laws may cause significant additional expenses, capital expenditure, restrictions and delays in the development and operation of each Power Project, the extent of which cannot be predicted and which may well be beyond CIC Energy'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.

The ability to generate power for sale under the PPAs is dependent on factors beyond the control of CIC Energy, including, but not limited to, the availability of the power stations, the volume of coal mined, the price and amount of power sold and the completion of the development of the relevant Power Project, as the case may be, within budget and on schedule. Anything which adversely affects price and volume (of either coal or power) and the development of a Power Project could adversely affect the business, financial condition or results of operations of CIC Energy.

Coal mining, coal processing and power generation activities envisaged at the Power Projects 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 the operation of the each of the Power Projects.

For each Power Project to deliver electricity, it will be necessary to construct and operate new power transmission lines to connect to the Eskom and/or BPC networks, as the case may be. 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 Energy 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 relevant Power Project.

The ability to export coal is dependent on factors beyond the control of CIC Energy, including, but not limited to, the availability of the railway and port facilities, the price and amount of coal sold and the completion of the development of the Export Coal Project within budget and on schedule. Anything which adversely affects price and volume of coal exported could adversely affect the business, financial condition or results of operations of CIC Energy.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditure, installation of additional equipment, or remedial actions. Parties engaged in mining or energy operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations, which may adversely affect CIC Energy.

Amendments to current laws, regulations and permits governing operations and activities of mining companies or energy companies, or more stringent implementation thereof, could have a material adverse impact on CIC Energy and cause increases in capital expenditure or operating costs, reduction in levels of coal production, or delays in the development and operation of each of the Power Projects. There can be no assurance that income tax laws, royalty regulation and governmental programs relating to the mining and power and other relevant industries in Botswana will not be changed in a manner which adversely affects CIC Energy.

Revenue from the Power Projects is expected to be received in Rand and Pula, as the case may be, which 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 Energy's financial position and operating results. CIC Energy does not currently engage in foreign currency hedging activities for operational purposes or otherwise but CIC Energy does anticipate that substantial hedges and/or cross currency will be required as part of the debt financing process, the failure to enter into either at all or on favourable terms could adversely affect CIC Energy's financial position and operating results.

### ***Financing Risks***

It is expected that the Company will be required to raise additional funding prior to resuming project development activities for each of the projects contemplated for the Mmamabula Energy Complex. There can be no assurance that such financing will be available in the required amounts or, if available, will be available on favourable terms or in a timely manner so as to enable the Company to proceed with the development of such projects. Failure to obtain sufficient financing when needed will result in a delay in project development activities, and will have a material adverse effect on CIC Energy's business, financial condition and results of operations. The only current source of funds available to CIC Energy is through the issuance of equity or debt, the monetization of any future development fees that CIC Energy is or may become entitled to, or the entering into of joint venture agreements. Global securities markets continue to be characterised by reduced liquidity for development stage companies, which may result in difficulty in raising equity capital.

The construction and implementation of each project contemplated for the Mmamabula Energy Complex will require the raising of debt financing. International debt markets continued to be characterised by reduced liquidity, which may result in difficulty in obtaining commercial debt financing.

In addition to the foregoing, the development of each of the Power Projects may require the hedging of a substantial quantity of currency exposure. There is a risk that sufficient hedging capacity may not be available to finance each of the Power Projects. In addition, increases in interest rates may increase the cost of project debt funding and adversely impact each of the Power Projects. In addition, emerging market currencies and interest rates often display greater sensitivity and volatility than currencies in the G8 and other developed countries.

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 under the PPAs. The inability to obtain such credit support could adversely affect the ability to secure funding for the relevant Power Project.

Consistent with international practice for limited recourse project finance, CIC Energy may be required to pledge all (or substantially all) of its ownership interest in each project to the financial institutions providing such limited recourse project finance for such project as security for the repayment of the funds provided by such financial institutions. In the event that the primary obligor under the financing agreements for a project fails to comply with its obligations under such financing agreements, such financial institutions may exercise contractual rights to enforce their security interest over CIC Energy's ownership interest in the relevant project, which may result in CIC Energy losing all or part of its investment in the relevant project.

### **16. Outlook**

In a news release dated November 23, 2010, the Company announced that it had entered into a binding agreement with JSW whereby subject to the satisfaction of certain conditions precedent, JSW agreed to offer to acquire 100% of the issued and outstanding shares of the Company, including shares issuable pursuant to the exercise of outstanding options, for CDN\$7.42 per share pursuant to a formal take-over bid.

In a news release dated December 16, 2010, the Company announced that it had entered into a supplementary agreement with JSW, pursuant to which CIC Energy agreed to support the proposed Merger. Upon the completion of the proposed Merger, which would also be subject to certain conditions precedent, the shareholders of the outstanding shares of CIC Energy, including any shares issued pursuant to the exercise of outstanding options, will receive CDN\$7.42 per share. In a news release dated January 21, 2011, the Company announced that the proposed Merger was approved at a special meeting of the shareholders held earlier the same day.

In a news release dated February 28, 2011, the Company announced that JSW and CIC Energy had agreed to extend the date for completion of the proposed Merger to March 15, 2011. In a news release dated March 15, 2011, the Company announced that JSW and CIC Energy had agreed to extend the date for completion of the proposed Merger to May 31, 2011.

There can be no assurances that the conditions precedent to be Merger will be satisfied or waived in order for the Merger to proceed. In particular, in a news release dated March 31, 2011 the Company announced that the application for renewal of prospecting licence 75/2002 had not been approved by the Government of Botswana. As the renewal of prospecting licence 75/2002 is a condition precedent to the proposed Merger, if JSW does not waive this condition precedent then JSW will be entitled not to proceed with the proposed Merger.

Should the proposed Merger not be completed and the agreements with JSW in relation thereto be terminated, it is expected that the Company will need to reconsider its strategic plans, including exploring alternative corporate transactions and/or refocusing the project development activities.

## **17. Cautionary Statement Regarding Forward-Looking Statements**

This MD&A contains certain "forward-looking statements". All statements, other than statements of historical fact, that address activities, events or developments that CIC Energy believes, expects or anticipates will or may occur in the future are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of CIC Energy based on information currently available to CIC Energy. Such forward-looking statements include, among other things, statements relating to: the Merger; the Regulations; the Company's understanding of the "Integrated Resource Plan for Electricity 2010-2030 – Final Report" and the Company's beliefs and intentions in respect thereof; the implementation and completion of the regulatory approval process in South Africa; the Company's coal resource being capable of yielding coal products in the quantities and qualities required to support the Power Projects; the Power Projects, including with respect to their development; future environmental compliance and technology; development activities, anticipated milestones and planned operations of CIC Energy; the CTH Project and the Export Coal Project; the Company's expectations regarding the MDPP Shareholders' Agreement; the Company's ability to raise funding; the deferral of development activities in relation to the MEP; the demand for power in southern Africa; anticipated expenditures and the Company's expectation that it has sufficient cash and cash equivalents to satisfy same through to February 28, 2012; negotiation and conclusion of PPAs for the Power Projects; estimates and/or assumptions in respect of mineral and ground water resources, mineral resource qualities, targets, future production, goals, milestones, scheduling, objectives and plans; future financing; 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 realised or substantially realised, 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: delays in satisfying or failure to satisfy the conditions precedent to the completion of the Merger; the outcome of arbitration proceedings initiated by GCL Botswana; the imposition of taxes or fees on CIC Energy or JSW by the Government of Botswana in respect of the Merger; further delays or failures in entering into PPAs and/or transmission agreements with Eskom and/or BPC and other requisite agreements for the development, operation and financing each of the Power Projects, on favourable terms or at all; delay in negotiating, or failure to negotiate new commercial terms and conditions in respect of the MDPP Shareholders' Agreement; the failure of the counterparties to such requisite agreements to comply in all material respects with the terms and conditions of such agreements; the status of the EPC contract with SEC; the failure to complete agreements with equity partners on favourable terms or at all; the inability to raise the required debt or equity financing for funding the Company's development activities to reach Financial Close of each of the Power Projects and/or the implementation of each of the

Power Projects on favourable terms or at all; capital equipment, infrastructure and operating costs varying significantly from estimates; delays in the development of each of the Power Projects caused by delays in reaching necessary agreements with relevant counterparties, events of force majeure, the unavailability of equipment, labour or supplies, climatic conditions or otherwise; the Minister of Energy in South Africa electing to procure new power generation capacity from other sources or the National Energy Regulator of South Africa failing to approve cost recovery or grant an import licence to the designated buyer; inability to obtain requisite credit support from the Government of South Africa and/or the Government of Botswana in relation to each of the Power Projects; delays or failures in obtaining regulatory permits and/or licences (and renewals thereof) and authorisations respecting prospecting licenses, mining, power generation and/or power transmission lines and other transportation and industrial activities; in respect of licence areas that the Company has relinquished, the failure to have identified the areas with the least exploitable coal and/or where such coal is least likely to be exploited on a commercially attractive basis; the existence of undetected or unregistered interests or claims, whether in contract or tort, over the properties of the Company and its subsidiaries; the loss of any key executives, employees or consultants; inflation; changes in exchange rates; the unavailability of sufficient hedging capacity to finance each of the Power Projects; 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 and debt markets; environmental and safety risks, including increased regulatory burdens; insufficient or sub-optimal transportation and transmission capacity; dispatch risk; geological and mechanical conditions; availability of water and sorbent; amendments to the laws of South Africa or Botswana that may be prejudicial to the development of the Power Projects, or the failure to obtain amendments to any such laws that may be necessary to implement the Power Projects; political risks arising from operating in Africa; insurance risks; lack of markets for the Company's coal resources; the failure to complete, or delays in the completion of, positive environmental impact assessments and bankable feasibility studies in respect of each of the CTH Project and the Export Coal Project; the failure to develop a viable transportation solution to export coal (with or without the participation of the relevant local governments); the grade, quality and recovery of coal which is mined varying from estimates; or other factors (including development and operating risks).

Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, CIC Energy disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although CIC Energy 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.