



**Consolidated Financial Statements
for the years ended November 30, 2009 and 2008
(Expressed in Canadian Dollars)**

Management's Responsibility for Financial Reporting

To the Shareholders and Directors of CIC Energy Corp.

The accompanying consolidated financial statements of CIC Energy Corp., their presentation and the information contained in the annual report, including information determined by specialists, are the responsibility of management. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The financial information on the Group presented elsewhere in the annual report is consistent with that in the consolidated financial statements.

The integrity of the consolidated financial reporting process is the responsibility of management. Management maintains systems of internal controls designed to provide reasonable assurance that transactions are authorised, assets are safeguarded, and reliable financial information is produced. Management selects accounting principles and methods that are appropriate to the Group's circumstances, and makes certain determinations of amounts reported in which estimates or judgements are required.

The Board of Directors is responsible for ensuring that the management fulfills its responsibility for financial reporting. The Board carries out this responsibility principally through its Audit Committee which consists of outside directors. The Board of Directors has also designated the Chairman of the Audit Committee as the Group's financial expert. The Audit Committee meets periodically with management and the external auditors to discuss internal controls, auditing matters and financial reporting requirements. The Audit Committee satisfies itself that each party is properly discharging its responsibilities; reviews the quarterly and annual consolidated financial statements and any reports by the external auditors; and recommends the appointment of the external auditors for review by the Board and approval by the shareholders.

The external auditors audit the consolidated financial statements annually on behalf of the shareholders. The external auditors have full and free access to management and the Audit Committee.

Warren E. Newfield, CEO
February 25, 2010

Alexandrea I. Gatis, CFO

Auditors' Report

To the Shareholders of CIC Energy Corp.

We have audited the consolidated balance sheets of CIC Energy Corp. as at November 30, 2009 and 2008 and the consolidated statements of operations, comprehensive income and retained earnings and cash flows for each of the years ended November 30, 2009 and 2008. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Group as at November 30, 2009 and 2008 and the results of its operations and its cash flows for the years ended November 30, 2009 and 2008 in accordance with Canadian generally accepted accounting principles.

KPMG Inc.

Per Nick van Niekerk
Chartered Accountant (SA)
Registered Auditor
Director
February 25, 2010

CIC Energy Corp.
Consolidated Balance Sheets
At November 30, 2009 and 2008

	Note	2009 \$	2008 \$
Assets			
Current assets:			
Cash and cash equivalents	8	42,467,970	85,820,323
Current taxation receivable		99,540	-
Other receivables	9	362,159	932,560
Deposits		32,506	46,633
Prepayments		752,318	266,074
		<u>43,714,493</u>	<u>87,065,590</u>
Non-current assets:			
Property, plant and equipment	10	1,840,959	1,783,132
Coal-to-Hydrocarbons project	11	3,932,819	3,932,819
Mine infrastructure	12	1,716,621	1,589,942
Exploration properties	13	160,907,775	121,435,029
		<u>168,398,174</u>	<u>128,740,922</u>
		<u><u>212,112,667</u></u>	<u><u>215,806,512</u></u>
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities	14	4,960,993	4,730,191
Taxation liability		-	335,732
Rehabilitation provision	15	1,325,665	1,659,520
		<u>6,286,658</u>	<u>6,725,443</u>
Capital stock	16	219,820,027	220,198,812
Warrants	16	-	3,938,009
Stock options	16	8,315,812	13,436,489
Contributed surplus	16	18,871,179	7,033,587
Retained deficit	16	(41,181,009)	(35,525,828)
Shareholders' equity	16	<u>205,826,009</u>	<u>209,081,069</u>
		<u><u>212,112,667</u></u>	<u><u>215,806,512</u></u>
Future operations	1		
Going concern	2		
Commitments	24		
Contingent liabilities	26		

See the accompanying notes which are an integral part of these consolidated financial statements.

Approved on behalf of the directors:

 Warren E. Newfield

 Alexandra I. Gatis

CIC Energy Corp.
Consolidated Statements of Operations
For the years ended November 30, 2009 and 2008

	Note	2009 \$	2008 \$
Other income			
Interest received	19	1,063,563	2,643,837
Management fees received	18	-	147,036
Profit on foreign exchange		1,498,379	493,213
		<u>2,561,942</u>	<u>3,284,086</u>
Corporate and exploration expenses			
Office and general expenses	21	4,194,198	4,425,032
Personnel expenses	20	1,392,595	1,940,885
Stock-based compensation	16(d)	1,055,333	1,726,058
Operating lease expenses		732,369	894,167
Management fees paid	18	345,811	290,050
Depreciation	10	216,453	214,438
Listing subscription		62,255	87,588
Impairment charges	7	-	1,780,403
		<u>7,999,014</u>	<u>11,358,621</u>
Net loss before income taxes		<u>(5,437,072)</u>	<u>(8,074,535)</u>
Income taxes	17	(218,109)	(224,521)
Net loss for the year		<u>(5,655,181)</u>	<u>(8,299,056)</u>
Basic and diluted loss per share	22	\$ (0.11)	\$ (0.15)
Basic and diluted weighted average number of common shares outstanding	22	52,600,550	53,647,258

See the accompanying notes which are an integral part of these consolidated financial statements.

CIC Energy Corp.
Consolidated Statements of Comprehensive Income and Retained Deficit
For the years ended November 30, 2009 and 2008

	Note	2009	2008
		\$	\$
Comprehensive Income			
Net loss for the year		(5,655,181)	(8,299,056)
Other comprehensive income, net of tax		-	-
Comprehensive loss		<u>(5,655,181)</u>	<u>(8,299,056)</u>
Retained Deficit			
Retained deficit, beginning of year		(35,525,828)	(27,203,373)
Net loss for the year		(5,655,181)	(8,299,056)
Share issue costs		-	(23,399)
Retained deficit, end of year	16	<u>(41,181,009)</u>	<u>(35,525,828)</u>

See the accompanying notes which are an integral part of these consolidated financial statements.

CIC Energy Corp.
Consolidated Statements of Cash Flows
For the years ended November 30, 2009 and 2008

	Note	2009 \$	2008 \$
Cash flows from operating activities			
Net loss before interest and tax		(6,500,635)	(10,718,372)
Items not affecting cash:			
Unrealised operational foreign exchange gain		(1,498,379)	(493,213)
Depreciation	10	216,453	214,438
Impairment charge	7	-	1,780,403
Stock-based compensation	16(d)	1,055,333	1,726,058
Environmental provision (utilised) / raised	15	(333,855)	1,493,414
Changes in non-cash working capital	23(a)	329,086	1,066,633
Interest received	23(c)(i)	1,063,563	2,643,837
Income tax paid	23(c)(ii)	(653,381)	(22,449)
Net cash flow used in operating activities		(6,321,815)	(2,309,251)
Cash flows from investing activities			
Additions to property, plant and equipment	10	(274,280)	(1,303,793)
Additions to coal-to-hydrocarbons project	11	-	(3,932,819)
Additions to mine infrastructure	12	(126,679)	(542,811)
Exploration properties expenditure	13	(36,250,794)	(25,870,395)
Net cash flow used in investing activities		(36,651,753)	(31,649,818)
Cash flows from financing activities			
Proceeds from issue of share capital and warrants	16	-	476,763
Repurchase of shares	16	(378,785)	(2,663,005)
Share issue costs	16	-	(23,399)
Net cash flow used in financing activities		(378,785)	(2,209,641)
Decrease in cash and cash equivalents		(43,352,353)	(36,168,710)
Cash and cash equivalents, beginning of year		85,820,323	121,989,033
Cash and cash equivalents, end of year	8	42,467,970	85,820,323

Supplementary information to consolidated cash flows information is disclosed in note 23.

See accompanying notes which are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

CIC Energy Corp. ("CIC") is a company incorporated under the International Business Companies Act in the Territory of The British Virgin Islands ("BVI") to engage in the acquisition, exploration, development and operation of coal properties in Botswana.

The consolidated financial statements for the years ended November 30, 2009 and 2008 comprise CIC and its wholly-owned subsidiaries, together referred to as the "Group". Wholly-owned subsidiaries are outlined below:

- CIC International (Barbados) Corp.
- CIC (Barbados) Holding Corp.
- CIC (Barbados) Mining Corp.
- CIC (Barbados) Energy Corp.
- CIC Energy (Botswana) (Proprietary) Limited
- CIC Energy (South Africa) (Proprietary) Limited
- CIC Energy (Bahamas) Limited
- Meepong Water (Proprietary) Limited
- Bon-Terra Mining (Proprietary) Limited
- SAD-ELEC (Proprietary) Limited
- Meepong Resources (Mauritius) (Proprietary) Limited
- Meepong Energy (Mauritius) (Proprietary) Limited
- Meepong Resources (Proprietary) Limited
- Meepong Energy (Proprietary) Limited
- Meepong Services (Proprietary) Limited
- CIC Resources (Botswana) (Proprietary) Limited
- Neap Tide (Proprietary) Limited
- Citrusdale Baths (Proprietary) Limited
- Sparkling Waters (Proprietary) Limited

As operations have not yet commenced and operating revenue is not being generated, the recent sharp reductions in commodity prices have not significantly impacted the Group's financial performance. The Group believes that the demand for power from the Mmamabula Energy Project ("MEP") will remain strong given the shortfall in generating capacity in Southern Africa. The demand for the products anticipated to be produced from the Coal-to-Hydrocarbons Project and the export Coal Project (of the market prices thereof) is expected to be materially reduced for the duration of the current market conditions.

In addition, the development of the MEP will require the raising of significant debt financing.

As a result of reduced lending activity by international commercial banks, the Group has adjusted the financing strategy for the MEP to place a greater emphasis on development finance institutions, who historically have been significant financiers of projects such as the MEP and generally are not subject to the type of liquidity constraints being experienced by many international commercial banks.

2. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The Company's ability to continue as a going concern and to realise the carrying value of its assets and discharge its liabilities is dependent on the discovery of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to fund its operations, and the future production or proceeds from developed properties.

As of November 30, 2009, the Company had cash and cash equivalents of approximately \$42.5 million which is adequate to fund the Company's ongoing personnel, office, lease and general expenses as well as committed third party costs through to at least November 30, 2010. These are budgeted to be approximately \$16.8 million. This would leave a cash balance of approximately \$25.7 million. For planning purposes, a further contingency of \$5 million has been assumed, with the result being a budgeted cash balance as of November 30, 2010 of approximately \$20.7 million.

As a result of the Company's decision to defer those project development activities for the MEP that are unrelated to the regulatory approval process in South Africa until such time as the Integrated Resource Plan ("IRP") 2 has been completed, substantially all work being done by external consultants (i.e. financial advisors, legal advisors and engineers) has been suspended and the Company does not currently have any committed costs in relation thereto. The Company also undertook a program of voluntary retrenchments, which has recently been

completed. If necessary, the Company could further reduce the budgeted costs by means of an additional retrenchment program, but this is not currently considered to be in the interest of the Company.

At such time as project development activities for the MEP are resumed, it is expected that in order for the Company to have adequate funding to reach Financial Close (being the point in a limited recourse project 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) of the MEP, the Company will need to raise additional funding (either by the Company itself, or directly in Meepong Energy and/or Meepong Resources), or alternatively, the Company would be required to defer until after Financial Close certain development activities that were anticipated to be undertaken prior to Financial Close, which would be expected to extend the period between the occurrence of Financial Close and the commencement of commercial operations of the MEP. It is anticipated that a decision on which course of action to take (i.e. raise additional funding or reschedule development activities) would be made at such time.

Should the discussions with other potential parties regarding the Mookane Domestic Power Project ("MDPP") be successful, the Company expects that it will begin incurring material costs for the development of the MDPP. It should be noted, however, that (i) the development costs prior to Financial Close for the MDPP are expected to be smaller in magnitude than the development costs prior to Financial Close for the MEP, and (ii) the Company anticipates that the equity partners in the MDPP will contribute to funding such development costs on an on-going basis. As a result, the Company anticipates that its cash and cash equivalents would be adequate to fund the Company's development costs for the MDPP to Financial Close.

The Company does not anticipate incurring material development costs prior to November

30, 2010 on its other project development activities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated annual financial statements of CIC Energy Corp. are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The consolidated annual financial statements have been prepared on a historical cost basis.

The significant accounting policies of the Group are as follows:

(b) Basis of consolidation

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

(c) Translation of foreign currencies

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

The Group's exploration subsidiaries are accounted for as integrated foreign operations and are translated into Canadian dollars using the temporal method. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates, while non-monetary items are translated at the exchange rate in effect at the transaction date. Income and expense items are translated at the exchange rates in effect on the date of the transaction. Exchange gains and losses resulting from the translation of these amounts are included in the consolidated statements of operations.

(d) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Currently all categories of property, plant and equipment have an expected useful life of 5 years.

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

(e) Goodwill and Goodwill impairment

Business acquisitions are accounted for using the purchase method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition with the excess of the purchase price over such fair value recorded as goodwill. Goodwill is assigned to the reporting units and is not amortised.

Goodwill is tested for impairment at least annually or when there is evidence of potential impairment. The fair value of each reporting unit, that includes goodwill, is compared to the total carrying amount (including goodwill) of that reporting unit. If the fair value exceeds the carrying value, goodwill is not considered to be impaired. If the fair value is less than the carrying value, the fair values of the assets and liabilities within the reporting unit are estimated. The difference between the fair value of the identifiable assets and liabilities within the reporting unit and the fair value of the entire reporting unit represents the implied fair value of the goodwill of the reporting unit. When the carrying value of goodwill exceeds the implied fair value, the excess is charged to operations in the period in which the impairment is determined.

(f) Coal-to-Hydrocarbons

The Group considers its coal-to-hydrocarbons costs to have the characteristics of plant and equipment. As such, the Group capitalises all costs associated with the coal-to-hydrocarbons project. The amounts shown for coal-to-hydrocarbons represents costs to date and do not necessarily reflect present or future values.

Included in coal-to-hydrocarbons are amounts related to expenditures incurred during the pre-operating period. Once a project reaches commercial production, the coal-to-hydrocarbons costs are amortised over the estimated useful life.

The recoverability of the carrying values of the coal-to-hydrocarbons costs is dependent on the ability of CIC Energy Corp. to obtain the necessary financing and permits to continue

exploration, the establishment of economically recoverable reserves, future profitable production and/or proceeds from the disposition thereof.

(g) Mine infrastructure

Mine infrastructure is carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is written off on a unit of production basis over the expected life of the mine.

(h) Exploration properties

The Group considers its exploration costs to have the characteristics of plant and equipment. As such, the Group capitalises all exploration costs that result in the acquisition and retention of resource properties or an interest therein. The amounts shown for exploration properties represents costs to date and do not necessarily reflect present or future values. If the properties are sold, allowed to lapse or are no longer of interest, accumulated costs are written down.

Included in exploration properties are amounts related to expenditures incurred during the pre-operating period. Once a project reaches commercial production, the exploration costs are amortised over the estimated useful life of the producing properties.

The recoverability of the carrying values of the properties is dependent on the ability of CIC Energy Corp. to obtain the necessary financing and permits to continue exploration, the establishment of economically recoverable reserves, future profitable production and/or proceeds from the disposition thereof.

(i) Impairment of long-lived assets

Long-lived assets subject to amortisation are reviewed for impairment periodically or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss must be recognised if the carrying amount of a long-lived asset exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. In that event, the asset must be written down to its fair value and an impairment loss recorded in the statement of operations.

The fair value is based on the present value of the estimated cash flows. Management's

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended November 30, 2009 and 2008.

estimate of future cash flows is subject to risk and uncertainties and it is reasonably possible that changes could occur which may affect the recoverability of the Company's long-lived assets and may have a material effect on the Company's results of operations and financial position. 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, and are no longer depreciated. The assets and liabilities of disposed group classified for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

(j) Income taxes

The Group accounts for income taxes using the asset and liability method. Under the asset and liability method, future income tax assets and liabilities are recognised for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Future income tax assets and liabilities are measured using tax rates enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognised in the statement of operations in the year that includes the date of enactment or substantive enactment.

A valuation allowance is recorded against any future income tax assets if it is more likely that the asset will not be realised.

Income taxation on the profit or loss for the period presented comprises current and deferred taxation.

Current taxation is the expected taxation payable, using taxation rates enacted at the balance sheet date, including any prior year adjustments.

(k) Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the years. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, goodwill, coal-to-hydrocarbons project, mine infrastructure, exploration properties, valuation allowances of receivables, rehabilitation provisions and stock-based compensation. Actual results could differ from those estimates.

(l) Loss per share

Basic loss per share ("LPS") is calculated by dividing net loss by the weighted average number of shares outstanding during the year. Diluted LPS data is calculated using the treasury stock method. The treasury stock method adjusts the weighted average number of shares for the dilutive effect of share options and warrants. In applying the treasury stock method, options with an exercise price greater than the average quoted market price of the common shares are not included in the calculation of diluted earnings per share, as the effect is anti-dilutive.

(m) Cash and cash equivalents

Cash and cash equivalents are accounted for at cost. Short-term deposits consist of investments in short-term money market instruments which, on acquisition, have a remaining term to maturity at acquisition of three months or less, and are carried at fair value.

(n) Stock-based compensation

The Group has a stock-based compensation plan for agent options and compensation warrants, employees and property acquisition agreements, which are described in note 19(d). The Group accounts for all stock-based payments to non-employees under the fair value based method and accounts for all stock-based employee awards that call for settlement by the issuance of equity instruments under that method.

Under the fair value based method, compensation cost for equity settled stock options is measured at fair value at the grant date. Compensation cost is recognised in the statement of operations on a straight-line basis over the relevant vesting period. The counterpart is recognised in contributed surplus. Upon

exercise of a stock option, share capital is recorded at the sum of the proceeds received and the related amount of contributed surplus.

(o) Equity issue expenses

Shares issue expenses are accounted in the statement of retained deficit during the year in which they are incurred.

(p) Asset retirement obligation

The Group recognises, when the legal obligation is incurred, the fair value of an estimated liability for the future cost of restoring the exploration drilling boreholes upon commissioning of the mine with a corresponding increase in the carrying value of the related long-lived asset. The Group will amortise the amount added to the asset using the depreciation method established for the related asset. An accretion expense in relation with the discounted liability over the remaining life of the mining properties is recorded in mining costs. The liability is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation.

(q) Financial instruments, disclosure and presentation.

The Canadian Institute of Chartered Accountants ("CICA") issued new accounting standards: Section 3862-Financial instruments disclosures, and Section 3863-Financial instruments presentation, which were effective for the Company on January 1, 2008. The new sections replace Section 3861-Financial instruments disclosure and presentation.

Section 3862 requires the disclosure of additional qualitative and quantitative information that enables users to evaluate the significance of financial instruments for the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

Section 3863 establishes standards for presentation of financial instruments and non financial derivatives and provides additional guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, and the

classification of related interest, dividends, losses and gains. The adoption of this new accounting standard did not have any impact on the Group's financial statements.

(r) Capital disclosure

The CICA issued the new accounting standard Section 1535-Capital disclosures, which was effective for the Company on January 1, 2008. Section 1535 specifies the disclosure of information that enables users of the Company's financial statements to evaluate the entity's objectives, policies and processes for managing capital such as qualitative information about its objectives, policies and processes for managing capital, summary quantitative data about what the entity manages as capital, whether the entity has complied with any capital requirements and, if it has not complied, the consequences of non-compliance. The adoption of this new accounting standard resulted in expanded information disclosed in note 6(iv).

(s) Goodwill and intangible assets

In February 2008, the CICA replaced Section 3062-Goodwill and other intangible assets with Section 3064-Goodwill and intangible assets. This section gives the definition and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. Accounting for goodwill and intangible assets following a business combination remains unchanged. Section 3064 gives guidance about internally generated intangible assets. This section applies to fiscal years beginning on or after October 1, 2008. The adoption of this new accounting standard did not have any impact on the Group's financial statements.

4. CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING POLICIES.

4.1 CHANGES IN ACCOUNTING POLICIES

(a) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee ("EIC") of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which establishes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of

this abstract had no impact on the Group's presentation of its financial position or results of operations as at and for the year ended November 30, 2009.

(b) Mining Exploration Costs

On March 27, 2009, the EIC of the CICA approved an abstract EIC-174, "Mining Exploration Costs", which provides guidance on capitalisation of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The adoption of this new accounting standard resulted in a detailed impairment assessment performed by management at reporting date. Based on management's assessment, no impairment charge was required at November 30, 2009.

(c) Goodwill and Intangible Assets

Effective January 1, 2009, the Group adopted CICA Section 3064, "Goodwill and Intangible Assets" which replaces CICA Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs", as well as EIC-27, "Revenues and Expenditures During the Pre-operating Period", and part of Accounting Guideline 11, "Enterprises in the development stage". Under previous Canadian standards, a greater number of items were recognised as assets than are recognised under International Financial Reporting Standards ("IFRS"). The provisions relating to the definition and initial recognition of intangible assets reduce the differences with IFRS in the accounting for intangible assets. The objectives of CICA 3064 are: 1) to reinforce the principle-based approach to the recognition of assets; 2) to establish the criteria for asset recognition; and 3) to clarify the application of the concept of matching revenues and expenses such that the current practice of recognising items that do not meet the recognition criteria is eliminated. The standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets. The portions in the standard relating to goodwill remain unchanged. The adoption of this standard had no impact on the Company's

presentation of its financial position or results of operations as at November 30, 2009.

(d) Fair Value Hierarchy and Liquidity Risk Disclosure

In June 2009, the Canadian Accounting Standards Board issued an amendment to CICA Section 3862, "Financial Instruments – Disclosures" in an effort to make Section 3862 consistent with IFRS Section 7 – Disclosures ("IFRS 7"). The purpose was to establish a framework for measuring fair value in Canadian GAAP and expand disclosures about fair value measurements. To make the disclosures an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The adoption of the new standard had no impact on the Group's financial statements as no financial instruments were subsequently recognised at fair value.

4.2 FUTURE ACCOUNTING POLICIES

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

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

Sections 1582 replaces section 1581 and establishes standards for the accounting for a

business combination. It provides the Canadian equivalent to International Financial Reporting Standards IFRS 3-Business Combinations.

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

(b) Consolidated financial statements and non-controlling interests

In January 2009, the Accounting Standards Board ("AcSB") issued Handbook section 1601, Consolidated Financial Statements and section 1602, Non-controlling Interests, to provide guidance on preparation of consolidated financial statements and accounting for non-controlling interests subsequent to a business combination. The section is effective for fiscal years beginning on or after January 1, 2011, however early adoption is permitted as of the beginning of a fiscal year.

5. FINANCIAL ASSETS AND LIABILITIES

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

	2009		2008	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
Financial Assets				
(i) Cash and cash equivalents	42,467,970	42,467,970	85,820,323	85,820,323
(ii) Other receivables	46,063	46,063	498,853	498,853
(iii) Deposits	32,506	32,506	46,633	46,633
Financial Liabilities				
(ii) Accounts payable and accrued liabilities	4,842,001	4,842,001	4,634,253	4,634,253

- (i) Cash and cash equivalents: Recorded at cost.
- (ii) Other receivables, accounts payable and accrued liabilities: Recorded at amortised cost. The fair value of other receivables, accounts payable and accrued liabilities is equivalent to the carrying amount given the short maturity period.
- (iii) Deposits: Recorded at cost.

6. FINANCIAL RISK MANAGEMENT

Overview

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

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

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

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

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual

obligations, and arises principally from the Group's cash and cash equivalents.

This risk is managed by investing in short-term deposits with prime financial institutions.

Other receivables

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

(ii) Liquidity risk

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

The Group has adequate cash, to the value of \$42 million, to service future cash requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended November 30, 2009 and 2008.

(iii) Market risk

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

The Group does not buy and sell derivatives.

Currency risk

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

Interest rate risk

The interest rate risk is not hedged.

(iv) Capital Management

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

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

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to

provide returns for shareholders and benefits for other stakeholders, and

- to provide an adequate return to shareholders by optimising the value of ore reserves within levels of acceptable risk.

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

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

During 2009, the Group's strategy, which was unchanged from 2008, was to maintain the debt-to-adjusted capital ratio at the lower end of the range 2:100 to 5:100, in order to limit monthly cash flow commitments and reduce dependency on uncertain financial markets.

<i>(all amounts in \$)</i>	2009	2008
Total Debt	6,286,658	6,725,443
Less: Cash & cash equivalents	<u>(42,467,970)</u>	<u>(85,820,323)</u>
Net Cash	<u>(36,181,312)</u>	<u>(79,094,880)</u>
Adjusted Capital Debt-to-adjusted capital ratio	<u>-0.18</u>	<u>-0.38</u>

The increase in the debt-to-adjusted capital ratio during 2009 resulted primarily from the reduction in shareholders equity due to the buyback of share capital and utilisation of cash resources to fund further exploration activities.

INTEREST INCOME AND RISK

Recognised in net income

<i>(all amounts in \$)</i>	2009	2008
Interest income on bank deposits	<u>1,063,563</u>	<u>2,643,837</u>
Total interest income	<u>1,063,563</u>	<u>2,643,837</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended November 30, 2009 and 2008.

Interest rate risk

Profile

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

<i>(all amounts in \$)</i>	2009	2008
Variable rate instruments		
Cash and cash equivalents	42,467,970	85,820,323

Cash flow sensitivity analysis for variable rate Instruments

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

<i>(all amounts in \$)</i>	Net income		Equity	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
November 30, 2009				
Variable rate instruments	(425,000)	425,000	-	-
November 30, 2008				
Variable rate instruments	(858,000)	858,000	-	-

CURRENCY RISK

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

	November 30, 2009			November 30, 2008		
	CAD	BWP	ZAR	CAD	BWP	ZAR
Other receivables	394,665	-	-	498,853	-	-
Cash and cash equivalents	36,836,213	32,652,853	2,277,938	82,702,619	5,323,299	14,861,787
Other payables	(4,960,991)	-	-	(4,634,253)	-	-
Gross balance sheet exposure	32,269,887	32,652,853	2,277,938	78,567,219	5,323,299	14,861,787

Sensitivity Analysis

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

(all amounts in \$)

November 30, 2009

BWP	530,273
ZAR	32,893

November 30, 2008

BWP	83,022
ZAR	183,766

7. GOODWILL

(all amounts in \$)

	2009	2008
Balance, at beginning of year	-	3,325,981
Impairment charges*	-	(3,325,981)
Balance, at end of the year	<u>-</u>	<u>-</u>

* Impairment charges includes a non-cash impairment and a non-cash share issue cost of \$1,780,403 and \$1,545,578 respectively.

8. CASH AND CASH EQUIVALENTS

(all amounts in \$)

	2009	2008
Cash	6,303,481	5,811,540
Short-term deposits with initial maturities of less than three months	36,164,489	80,008,783
	<u>42,467,970</u>	<u>85,820,323</u>

9. OTHER RECEIVABLES

(all amounts in \$)

	2009	2008
Other receivables	46,063	498,853
Value added tax	316,096	433,707
	<u>362,159</u>	<u>932,560</u>

No allowances against receivables were accounted for.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended November 30, 2009 and 2008.

10. PROPERTY, PLANT AND EQUIPMENT

<i>(all amounts in \$)</i>	Property	Plant and machinery	Leasehold improvements	Motor vehicles	Office equipment and furniture	Total
<i>Cost</i>						
Balance at December 1, 2007	-	56,653	219,629	76,054	436,011	788,347
Additions for the period	771,088	20,168	-	207,943	304,594	1,303,793
Balance at November 30, 2008	771,088	76,821	219,629	283,997	740,605	2,092,140
Additions for the period	68,995	-	-	-	205,285	274,280
Balance at November 30, 2009	840,083	76,821	219,629	283,997	945,890	2,366,420
<i>Accumulated depreciation</i>						
Balance at December 1, 2007	-	11,948	-	5,545	77,077	94,570
Depreciation for the period	-	15,651	57,388	27,931	113,468	214,438
Balance at November 30, 2008	-	27,599	57,388	33,476	190,545	309,008
Depreciation for the period	-	13,300	-	49,879	153,274	216,453
Balance at November 30, 2009	-	40,899	57,388	83,355	343,819	525,461
<i>Carrying amounts</i>						
At December 1, 2007	-	44,705	219,629	70,509	358,934	693,777
At November 30, 2008	771,088	49,222	162,241	250,521	550,060	1,783,132
At November 30, 2009	840,083	35,922	162,241	200,642	602,071	1,840,959

11. COAL-TO-HYDROCARBONS PROJECT

<i>(all amounts in \$)</i>				
2009	Balance, beginning of year	Additions	Disposals	Balance, end of year
Mmamabula coal-to-hydrocarbons project	3,932,819	-	-	3,932,819

2008	Balance, beginning of year	Additions	Disposals	Balance, end of year
Mmamabula coal-to-hydrocarbons project	-	3,932,819	-	3,932,819

12. MINE INFRASTRUCTURE

<i>(all amounts in \$)</i>				
2009	Balance, beginning of year	Additions	Disposals	Balance, end of year
Mmamabula mine infrastructure	1,589,942	126,679	-	1,716,621

2008	Balance, beginning of year	Additions	Disposals	Balance, end of year
Mmamabula mine infrastructure	1,047,131	542,811	-	1,589,942

This amount represents capitalised costs paid to the Botswana Power Corporation for the implementation of construction power supply to the MEP.

13. EXPLORATION PROPERTIES

<i>(all amounts in \$)</i>					
2009	Balance, beginning of year	Additions	Disposals	Impairment loss	Balance, end of year
Mmamabula	121,435,029	39,472,746	-	-	160,907,775

2008	Balance, beginning of year	Additions	Disposals	Impairment loss	Balance, end of year
Mmamabula	90,370,012	31,065,017	-	-	121,435,029

The Company indirectly holds three prospecting licences 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.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<i>(all amounts in \$)</i>	2009	2008
Accounts and other payables	4,124,676	3,882,627
Operating lease accrual	118,992	95,938
Legal costs	717,325	751,626
	<u>4,960,993</u>	<u>4,730,191</u>

15. REHABILITATION PROVISION

(all amounts in \$)

2009	Balance, beginning of year	Provision raised	Utilised	Balance, end of year
Rehabilitation provision	1,659,520	-	(333,855)	1,325,665

2008	Balance, beginning of year	Provision raised	Utilised	Balance, end of year
Rehabilitation provision	166,106	1,493,414	-	1,659,520

Mmamabula - Botswana

An environmental rehabilitation provision, determined by an independent specialist, has been made to restore all the exploration drilling boreholes. Environmental rehabilitation processes are ongoing in the normal course of exploration activities, however the provision is reassessed annually, thus there are no estimated undiscounted amount of cash flows required to settle the obligation.

The Group's activities are subject to various laws and regulations regarding the environmental restoration and closure provisions for which the Group estimates future costs. These provisions may be revised on the basis of amendments to such laws and regulations and the availability of new information such as changes in reserves corresponding to a change in the mine life, acquisition or construction of new mines.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended November 30, 2009 and 2008.

16. SHAREHOLDERS' EQUITY

The following table outlines the continuity of shareholders' equity for the years ended November 30, 2009 and 2008:

	Capital stock (a)		Warrants (b)		Stock options (c)	Contributed surplus	Deficit	Total shareholders' equity
	#	\$	#	\$	\$			
Balance, November 30, 2007	53,705,019	222,408,267	2,098,991	4,720,625	11,301,418	2,942,064	(27,203,373)	214,169,001
Warrants cancelled/lapsed	-	-	(673,991)	(3,168,668)	-	3,168,668	-	-
Warrants issued to executives	-	-	325,000	100,564	-	-	-	100,564
Repurchase of shares (i)	(983,300)	(2,663,005)	-	-	-	-	(14,626)*	(2,677,631)
Stock-based compensation	-	-	-	2,285,488	3,057,926	-	-	5,343,414
Stock options exercised	60,750	453,550	-	-	(172,617)	172,617	(8,773)*	444,777
Stock options cancelled / lapsed	-	-	-	-	(750,238)	750,238	-	-
Net loss for the period	-	-	-	-	-	-	(8,299,056)	(8,299,056)
Balance, November 30, 2008	52,782,469	220,198,812	1,750,000	3,938,009	13,436,489	7,033,587	(35,525,828)	209,081,069
Repurchase of shares (i)	(208,500)	(378,785)	-	-	-	-	-	(378,785)
Stock-based compensation	-	-	-	1,158,256	1,620,650	-	-	2,778,906
Stock options cancelled / lapsed	-	-	-	-	(6,741,327)	6,741,327	-	-
Warrants cancelled/lapsed	-	-	(1,750,000)	(5,096,265)	-	5,096,265	-	-
Net loss for the period	-	-	-	-	-	-	(5,655,181)	(5,655,181)
Balance, November 30, 2009	52,573,969	219,820,027	-	-	8,315,812	18,871,179	(41,181,009)	205,826,009

* This represents the share issue costs on the statement of comprehensive income and retained deficit. These costs represent broker's fees for the repurchase of shares and the conversion of stock options exercised into shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended November 30, 2009 and 2008.

(a) Capital stock

The authorised capital of the Company consists of an unlimited number of common shares without par value.

(i) On September 18, 2008 CIC announced that its Board of Directors has approved open market share purchases of up to 5 percent of the common shares outstanding over a one year period, through a normal course issuer bid. This has been approved by the Toronto Stock Exchange on September 24, 2008. Under this share buyback, CIC Energy purchased 983,300 of its common shares with a value of \$2,663,005 in the year ended November 30, 2008 and 208,500 of its common shares with a value of \$378,785 in the year ended November 30, 2009 in the open market which represents about 2 percent of the issued and outstanding shares of 53,765,769 as of September 17, 2008. All shares purchased by the Company were subsequently cancelled.

(b) Warrants

The fair value of the warrants has been determined using the Black-Scholes model using the following assumptions:

2009	
Risk-free interest rate	3.77%
Dividend yield	0%
Volatility factor of the expected market price of the Group's shares	41.56%
Average expected warrant life (years)	4
Weighted-average grant date fair value of warrants granted during the year	\$4.68

2008	
Risk-free interest rate	3.77%
Dividend yield	0%
Volatility factor of the expected market price of the Group's shares	41.56%
Average expected warrant life (years)	4
Weighted-average grant date fair value of warrants granted during the year	\$4.68

The Group implemented a defined cash bonus program (the "DCBP"), pursuant to which the holders of certain of the share options and warrants were given the option to accept a defined cash bonus, payable upon the occurrence of certain vesting events (one of which is the achievement of Financial Close), in exchange for agreeing to the acceleration of such share options and/or warrants. The acceleration for those that accepted the DCBP was made effective on June 17, 2009. Implementation of the DCBP during June 2009 resulted in the cancellation of all outstanding warrants. Therefore, as at November 30, 2009, no warrants were outstanding.

(c) Options

The Group has a rolling ten percent stock option plan in terms of which stock options are issued to directors, officers, employees and key consultants from time to time. Options granted may be exercised during a period not exceeding eight years, subject to earlier termination under various circumstances. The exercise price may not be less than the minimum price stipulated by applicable regulators. In most instances these options vest bi-annually over a two year period. There are, however, some awards that were made with vesting conditions linked to certain project related milestones.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The fair value of the options has been determined using the Black-Scholes model using the following assumptions:

2009		
Risk-free interest rate	3.99%	
Dividend yield	0%	
Volatility factor of the expected market price of the Group's shares	39.27%	
Average expected option life (years)	4	
Weighted-average grant date fair value of options granted during the year	\$3.79	
2008		
Risk-free interest rate	3.99%	
Dividend yield	0%	
Volatility factor of the expected market price of the Group's shares	39.27%	
Average expected option life (years)	4	
Weighted-average grant date fair value of options granted during the year	\$3.79	

Effective date	Options	Weighted average exercise price
Balance November 30, 2007	4,338,000	\$9.38
Exercised –		
April 23, 2008	(5,000)	\$6.90
Exercised –		
May 07, 2008	(20,000)	\$6.90
Exercised –		
May 30, 2008	(2,000)	\$6.90
Exercised –		
June 10, 2008	(2,500)	\$6.90
Exercised –		
June 10, 2008	(31,250)	\$8.00
Issued –		
February 1, 2008	225,000	\$16.25
Issued –		
March 10, 2008	250,000	\$16.25

Issued –		
March 13, 2008	550,000	\$17.30
Lapsed/Cancelled ¹	(268,750)	\$16.25
Lapsed/Cancelled ¹	(27,500)	\$15.82
Lapsed/Cancelled ¹	(25,000)	\$17.30
Balance November 30, 2008	4,981,000	\$10.68
Cancelled in terms of DCBP	(2,653,500)	\$6.90
Issued –		
August 6, 2009	600,000	\$4.00
Issued –		
August 28, 2009	200,000	\$2.06
Balance November 30, 2009	3,127,500	\$6.71

1. These options were cancelled as they reached their expiry date.

Of the above options, the following options have vested and are exercisable at November 30, 2009:

Issued April 17, 2006	1,252,500
Issued July 26, 2006	340,000
Issued September 1, 2006	150,000
Issued December 22, 2006	126,666
Issued March 2, 2007	40,000
Issued June 1, 2007	165,000
Issued August 6, 2009	600,000
Issued August 28, 2009	<u>50,000</u>
	<u>2,724,166</u>

The weighted average exercise price is detailed in the table below and the weighted average remaining contracted life of all the outstanding options is 4 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The stock options outstanding at November 30, 2009 expire as follows:

Effective date	Weighted average exercise price	Number of options
April 17, 2014	\$6.90	1,252,500
July 26, 2014	\$8.00	340,000
September 1, 2014	\$8.00	150,000
December 22, 2014	\$13.15	380,000
March 2, 2015	\$15.82	40,000
June 1, 2015	\$14.90	165,000
August 6, 2017	\$4.00	600,000
August 28, 2017	\$2.06	200,000
Total		<u>3,127,500</u>

The total stock compensation recognised for the year ended November 30, 2009 amounted to \$2,778,906 (2008: \$5,343,414). Stock-based compensation recognised in the statement of operations is \$1,055,333 (2008: \$1,726,058) and a further \$1,723,573 (2008: \$3,617,356) was capitalised to exploration properties. No stock-based compensation was recorded under office and general expenses (2008: \$Nil).

(d) Stock-based compensation

The Group expenses the fair value of all stock-based compensation granted in the statement of operations as shown below:

<i>(all amounts in \$)</i>	2009	2008
Share options and warrants	1,055,333	1,726,058

17. INCOME TAXES

(a) The income tax expense recognised in the statements of operations is detailed below:

<i>(all amounts in \$)</i>	2009	2008
Current tax expense		
BVI 0%	–	–
South Africa 28%	204,719	219,283
Botswana 15%	13,390	5,238
	<u>218,109</u>	<u>224,521</u>
(all amounts in \$)	2009	2008
Reconciliation of effective tax rate		
Loss before tax	(4,899,162)	(8,074,535)
Tax rate BVI 0% (2008: 0%)	–	–
Effect of foreign jurisdictions 4% (2008: 3%)	218,109	224,521
Effective tax rate 4% (2008: 3%)	<u>218,109</u>	<u>224,521</u>

(b) The tax basis of the Group's Botswana and South African assets converted at year-end exchange rates results in a temporary difference, whereby the translated tax base is different than the Group's carrying value for accounting purposes. The tax effect of this temporary difference has not been recognised as a deferred tax asset because future taxable income is uncertain due to the risks associated with exploration ventures. These losses do not have expiry dates. The Group has an unrecognised assessed loss of \$149,870,311 (2008: \$111,994,459).

Deferred tax assets can be summarised as follows:

<i>(all amounts in \$)</i>	2009	2008
Deductible temporary differences	(22,480,547)	16,799,169
Valuation allowance	<u>(22,480,547)</u>	<u>(16,799,169)</u>
	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Deductible temporary allowances consist of capitalised expenditure allowable for tax.

18. RELATED PARTY TRANSACTIONS

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

<i>(all amounts in \$)</i>	2009	2008
Administrative services ^{1,2}	345,811	290,050
Management fees received ³	-	147,036

1. Tau Capital Corp.

CIC carries on business outside Canada. CIC purchases administrative, advisory and investor relation services from a group that shares a common director to assist in fulfilling its ongoing obligations as a reporting issuer listed for trading on a stock exchange in Canada. On August 1, 2005, the Group entered into an administrative service agreement (the "Agreement") with Tau Capital Corp. ("Tau"). Tau Capital is a private company controlled by W. Newfield, the Chairman, Chief Executive Officer and director of the company.

The Agreement had an initial term of three years, which terminated on July 31, 2008, whereupon it was renewed for a further year to July 31, 2009 subject to further renewal by the parties to the agreement. The terms of the Agreement as amended, required the Group to pay a monthly service fee of US\$50,000 as well as reimbursement of third party costs incurred by Tau Capital in the performance of the services under the Tau Agreement on behalf of the Group. Each of CIC Energy and Tau Capital has the right to terminate the amended Tau Agreement at any time on not less than 60 days prior notice, provided that in the event of a termination of the amended Tau Agreement by CIC Energy, CIC Energy shall pay to Tau Capital a termination fee of six hundred thousand dollars (\$600,000).

2. Mendi Msimang

On September 2, 2009, CIC Energy (SA) (Pty) Limited ("**CIC Energy (SA)**"), a wholly owned subsidiary of the Company that performs project

development activities on behalf of the Company in South Africa, entered into a consulting agreement (the "**Consulting Agreement**") with Mendi Msimang, who was appointed a director of the Company on August 28, 2009. The Consulting Agreement has a term of twelve months, subject to extension by the agreement of the parties. Under the terms of the Consulting Agreement, the Company pays a monthly consulting fee to Mr. Msimang of 50,000 Rand, as well as reimbursement of third party costs incurred by Mr. Msimang in the performance of the services under the Consulting Agreement on behalf of CIC Energy (SA).

3. The management fees received relates to administrative, advisor and investor services rendered to the Saber Group of companies during 2008. No professional services were rendered during the 2009 financial year to the Saber Group.

19. INTEREST RECEIVED

<i>(all amounts in \$)</i>	2009	2008
Interest received from financial institutions and deposits	1,063,563	2,643,837
	<u>1,063,563</u>	<u>2,643,837</u>

20. PERSONNEL EXPENSES

<i>(all amounts in \$)</i>	2009	2008
Wages and salaries	1,392,595	1,940,885
Stock-based compensation	1,055,333	1,726,058
	<u>2,447,928</u>	<u>3,666,943</u>

21. OFFICE AND GENERAL EXPENSES

Office and general expenses for the year is stated after accounting for the following:

<i>(all amounts in \$)</i>	2009	2008
Audit remuneration	151,645	121,365
Legal fees	429,492	565,396
Travel and accommodation – Local	443,666	660,240
Travel and accommodation – Overseas	408,145	433,490
General expenses	2,761,250	2,644,541
	<u>4,194,198</u>	<u>4,425,032</u>

22. BASIC AND DILUTED LOSS PER SHARE

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

<i>(all amounts in \$)</i>	2009	2008
Numerator – Basic and Diluted		
Net loss	(5,655,181)	(8,299,056)
Denominator - Basic and Diluted Weighted average number of shares	52,600,550	53,647,258
Basic and diluted loss per share	\$(0.11)	\$(0.15)

3,127,500 (2008: 4,981,000) share options and Nil (2008: 1,750,000) warrants have been excluded in the calculation as their exercise would be anti-dilutive.

23. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Change in non-cash working capital

<i>(all amounts in \$)</i>	2009	2008
Other receivables	570,401	(393,817)
Deposits	14,127	31,922
Prepayments	(486,244)	(2,779)
Accounts payable and accrued liabilities	230,802	1,431,307
Change in non-cash working capital	<u>329,086</u>	<u>1,066,633</u>

(b) Changes in non-cash elements of financing and investing activities

<i>(all amounts in \$)</i>	2009	2008
Exploration properties	1,723,573	3,617,356

The non-cash movements in exploration properties for 2009 and 2008 relate to stock-based compensation costs capitalised.

(c) Supplementary cash flow disclosure

(i) Interest received

<i>(all amounts in \$)</i>	2009	2008
Interest received	1,063,563	2,643,837

(ii) Income tax paid

<i>(all amounts in \$)</i>	2009	2008
Balance at December 1, 2007		(133,660)
Current tax recognised for the period		(224,521)
Balance at November 30, 2008		<u>335,732</u>
		<u>(22,449)</u>
Balance at December 1, 2008		(335,732)
Current tax recognised for the period		(218,109)
Balance at November 30, 2009		<u>(99,540)</u>
		<u>(653,381)</u>

24. COMMITMENTS

(a) Operating lease commitments
CIC Energy (South Africa) (Proprietary) Limited has future operating lease commitments for equipment and buildings amounting to \$4.17 million ending November 30, 2016. Annual payments are:

	\$
2010	532,449
2011	581,453
2012	634,981
2013	693,451
2014	757,323
2015	827,097
2016	<u>139,815</u>
	<u>4,166,569</u>

(b) Operating lease commitments
Meepong Resources (Proprietary) Limited has future operating lease commitments for equipment and buildings amounting to \$ 20,045 ending May 30, 2010. Annual payments are:

	\$
2010	<u>20,045</u>
	<u>20,045</u>

(c) The Group has entered into an aircraft use agreement in terms of which a usage fee of \$0.68 million (plus inflation linked escalations) is payable in the next financial year:

	\$
2010	<u>684,000</u>
	<u>684,000</u>

25. SEGMENT REPORTING

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

26. CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of contractual commitments to past and current advisors on the project. These contingencies depend on project milestones including the conclusion of a power purchase agreement and financial close of the project. The aggregate of these contingent liabilities is an amount of \$38.7 million (2008: \$21.5 million), most of which are likely to be capitalised when incurred.

27. SUBSEQUENT EVENTS

The contractual amount for the aircraft usage was settled on December, 10 2009 (refer note 24(c)).

No other subsequent events were identified.

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

Directors

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Gregory Kinross - President
Len Konar
Blackie Marole
Adrian Meyer
Mendi Msimang
Warren Newfield – Chairman

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