



**Interim Consolidated Financial Statements  
for the three months ended February 28, 2010 and February 28, 2009  
(Expressed in Canadian Dollars)**

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## **Directors' Report**

**For the three months ended February 28, 2010.**

### **1. Review of activities**

#### **Main business and operations.**

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

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

### **2. Dividends**

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

CIC Energy Corp.  
**Consolidated Balance Sheets**  
**At February 28, 2010 and November 30, 2009**

		<b>February 28, 2010</b>	November 30, 2009
		<b>\$</b>	<b>\$</b>
	Note	<b>(unaudited)</b>	(audited)
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		<b>36,253,235</b>	42,467,970
Current taxation receivable		<b>51,041</b>	99,540
Other receivables		<b>210,832</b>	362,159
Deposits		<b>26,915</b>	32,506
Prepayments		<b>737,326</b>	752,318
		<b>37,279,349</b>	43,714,493
Non-current assets:			
Property, plant and equipment		<b>1,775,288</b>	1,840,959
Coal-to-Hydrocarbons project		<b>3,932,819</b>	3,932,819
Mine infrastructure		<b>1,716,621</b>	1,716,621
Exploration properties		<b>163,183,327</b>	160,907,775
		<b>170,608,055</b>	168,398,174
		<b>207,887,404</b>	212,112,667
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities		<b>3,064,365</b>	4,960,993
Rehabilitation provision		<b>1,265,177</b>	1,325,665
		<b>4,329,542</b>	6,286,658
Capital stock	4	<b>219,820,027</b>	219,820,027
Stock options	4	<b>7,563,893</b>	8,315,812
Contributed surplus	4	<b>20,620,273</b>	18,871,179
Retained deficit	4	<b>(44,446,331)</b>	(41,181,009)
<b>Shareholders' equity</b>	4	<b>203,557,862</b>	205,826,009
		<b>207,887,404</b>	212,112,667
Going concern	1		
Commitments	7		
Contingent liabilities	8		
Subsequent events	9		

See accompanying notes to the interim financial statements.

CIC Energy Corp.  
**Consolidated Statements of Operations**  
**For the three months ended February 28, 2010 and February 28, 2009**  
(unaudited)

		<b>Three months ended</b>	
		<b>February 28,</b>	<b>February 28,</b>
		<b>2010</b>	<b>2009</b>
	Note	\$	\$
<b>Other income</b>			
Interest received		18,720	577,694
Profit on foreign exchange		-	2,236,552
		<u>18,720</u>	<u>2,814,246</u>
<b>Corporate and exploration expenses</b>			
Office and general expenses		(1,335,276)	(1,458,121)
Loss on foreign exchange		(624,876)	-
Stock-based compensation		(507,208)	(187,749)
Personnel expenses		(320,366)	(582,893)
Operating lease expenses		(225,870)	(216,112)
Management fees paid		(150,000)	(85,116)
Depreciation		(66,296)	(47,110)
Listing subscription		(6,961)	(80,502)
		<u>(3,236,853)</u>	<u>(2,657,603)</u>
Net (loss) / profit before income taxes		<u>(3,218,133)</u>	156,643
Income taxes		(47,189)	-
Net (loss) / profit for the year		<u>(3,265,322)</u>	<u>156,643</u>
<b>Basic and diluted loss per common share</b>			
<b>for the period</b>	5	<b>\$(0.06)</b>	\$0.003
<b>Basic and diluted weighted average number</b>			
<b>of common shares outstanding</b>	5	<b>52,573,969</b>	52,682,682

See accompanying notes to the interim financial statements.

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CIC Energy Corp.  
**Consolidated Statements of Comprehensive Loss and Retained Deficit**  
**For the three months ended February 28, 2010 and February 28, 2009**  
(unaudited)

		<b>Three months ended</b>	
		<b>February 28,</b>	<b>February 28,</b>
	Note	<b>2010</b>	<b>2009</b>
		\$	\$
<b>Comprehensive Income</b>			
Net (loss) / profit for the period		<b>(3,265,322)</b>	156,643
Other comprehensive income, net of tax		-	-
Comprehensive loss		<u><b>(3,265,322)</b></u>	<u>156,643</u>
<b>Retained Deficit</b>			
Retained deficit, beginning of the period		<b>(41,181,009)</b>	(35,525,828)
Net (loss) / profit for the period		<b>(3,265,322)</b>	156,643
Retained deficit, end of the period	4	<u><b>(44,446,331)</b></u>	<u>(35,369,185)</u>

See accompanying notes to the interim financial statements.

CIC Energy Corp.  
**Consolidated Statements of Cash Flow**  
**For the three months ended February 28, 2010 and February 28, 2009**  
(unaudited)

	<b>Three months ended</b>	
	<b>February 28,</b>	<b>February 28,</b>
	<b>2010</b>	<b>2009</b>
Note	\$	\$
<b>Cash flows from operating activities</b>		
Net loss before interest and tax	<b>(3,236,853)</b>	(421,051)
Items not affecting cash:		
Unrealised foreign exchange loss / (gain)	<b>624,876</b>	(2,236,552)
Depreciation	<b>66,296</b>	47,110
Stock-based compensation	<b>507,208</b>	187,749
Environmental provision (utilised) / raised	<b>(60,488)</b>	40,435
Changes in non-cash working capital	<b>(1,724,718)</b>	(325,540)
Interest received	<b>18,720</b>	577,694
Income tax received	<b>1,310</b>	7,452
<b>Net cash flow used in operating activities</b>	<b>(3,803,649)</b>	(2,122,703)
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	<b>(625)</b>	(56,961)
Exploration properties expenditure	<b>(2,410,461)</b>	(6,623,315)
<b>Net cash flow used in investing activities</b>	<b>(2,411,086)</b>	(6,680,276)
<b>Cash flows from financing activities</b>		
Repurchase of shares	4	(378,785)
<b>Net cash flow used in financing activities</b>	-	(378,785)
<b>Decrease in cash and cash equivalents</b>	<b>(6,214,735)</b>	(9,181,764)
Cash and cash equivalents, beginning of the period	<b>42,467,970</b>	85,820,323
<b>Cash and cash equivalents, end of the period</b>	<b>36,253,235</b>	76,638,559

See accompanying notes to the interim financial statements.

## 1. GOING CONCERN

As part of the process of preparing the financial statements for the fiscal quarter ended February 28, 2010, management considered whether CIC Energy Corp. remains a going concern. Management's view is that CIC Energy Corp. is a Going Concern for the following reasons.

As of February 28, 2010, the Company had cash and cash equivalents of approximately \$36.25 million. This amount is considered to be adequate to fund the Company's ongoing personnel, office, lease and general expenses and committed third party costs through to at least February 28, 2011, budgeted to be approximately \$13.33 million. This would leave a cash balance as of February 28, 2011 after the payment of committed costs of approximately \$22.92 million.

### Mookane Domestic Power Project ("MDPP")

The Company is currently negotiating a shareholders' agreement in relation to the MDPP, pursuant to which it is anticipated that each of the proposed equity investors in the MDPP, including the Company, will commit to making equity contributions in relation to the MDPP. As the obligation to pay these equity contribution amounts will only arise upon successful negotiation of the relevant agreements in relation to the MDPP and satisfaction of certain conditions in relation thereto, these amounts are not reflected in the committed third party costs referred to above. For planning purposes the Company is assuming that these equity contribution amounts will be payable prior to February 28, 2011, and the Company anticipates that its cash and cash equivalents available after payment of committed costs will be adequate to fund these equity contributions.

### Mmamabula Energy Project ("MEP")

As a result of the Company's decision to defer project development activities for the MEP until such time as the second integrated resource plan has been completed by the South African Department of Energy, 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. Should the funding obligations in relation to the MDPP described above arise, the

Company will be required to raise additional funding prior to resuming project development activities for the MEP. Such additional funding would be raised either by the Company itself and contributed to Meepong Energy and/or Meepong Resources, or raised directly in Meepong Energy and/or Meepong Resources.

### Other Projects

The Company does not anticipate incurring material development costs prior to February 28, 2011 on its other project development activities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of presentation

These interim consolidated financial statements of the Group do not include all the disclosures as

required under Canadian generally accepted accounting principles for annual financial statements; however, the quarterly financial statements follow the same accounting policies and methods of application as the most recent annual financial statements. The interim financial

statements should be read in conjunction with CIC Energy Corp.'s audited financial statements for the year ended November 30, 2009. The consolidated financial statements have been prepared on a historical cost basis.

### (b) Basis of consolidation

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

### (c) Translation of foreign currencies

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

## 3. FUTURE ACCOUNTING POLICIES

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

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.

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.

**(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the three months ended February 28, 2010 and February 2009.

**4. SHAREHOLDERS' EQUITY**

The following table outlines the continuity of shareholders' equity for the three months ended February 28, 2010:

	Capital stock		Warrants		Stock options	Contributed surplus	Retained deficit	Total shareholders' equity
	#	\$	#	\$	\$	\$	\$	\$
Balance at 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	(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 at November 30, 2009	52,573,969	219,820,027	-	-	8,315,812	18,871,179	(41,181,009)	205,826,009
Stock-based compensation (a)	-	-	-	-	997,175	-	-	997,175
Stock options cancelled / lapsed (b)	-	-	-	-	(1,749,094)	1,749,094	-	-
Net loss for the period	-	-	-	-	-	-	(3,265,322)	(3,265,322)
Balance at February 28, 2010	52,573,969	219,820,027	-	-	7,563,893	20,620,273	(44,446,331)	203,557,862

(a) 2,325,000 share options were issued during the quarter, of which 405,000 vested in the quarter.

(b) 385,000 options were cancelled during the quarter.

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

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

<i>(all amounts in \$)</i>	February 28, 2010	February 28, 2009
Numerator:		
(Loss) / profit attributable to common shareholders		
- basic and diluted	<b>(3,265,322)</b>	156,643
Denominator:		
Weighted average number of common shares outstanding		
- basic and diluted	<b>52,573,969</b>	52,682,682
<b>Basic and diluted (loss) / profit per common share</b>	<b>\$(0.06)</b>	\$0.003

4,867,500 (November 30, 2009: 3,127,500) share options have been excluded in the calculation as their exercise would be anti-dilutive.

**6. RELATED PARTY TRANSACTIONS**

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

<i>(all amounts in \$)</i>	February 28, 2010	February 28, 2009
Administrative services <sup>1,2</sup>	150,000	85,116

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"). Until December 6, 2009 a

director of the Company was the controlling shareholder of Tau Capital.

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 Rand 50,000, 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).

## 7. COMMITMENTS

### (a) Operating lease commitments

CIC Energy (South Africa) (Proprietary) Limited has future operating lease commitments for equipment and buildings amounting to \$4.03 million ending November 30, 2016. Annual payments are:

	\$
2010	399,337
2011	581,453
2012	634,981
2013	693,451
2014	757,323
2015	827,097
2016	<u>139,815</u>
	<u>4,033,457</u>

### (b) Operating lease commitments

Meepong Resources (Proprietary) Limited has future operating lease commitments for equipment and buildings amounting to \$ 10,023 ending May 30, 2010. Annual payments are:

	\$
2010	<u>10,023</u>
	<u>10,023</u>

## 8. CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of contractual commitments to past and current advisors on the project. These contingencies depend on project milestones including the conclusion of a power purchase agreement and financial close of the project. The aggregate of these contingent liabilities is an amount of \$38.6 million (November 30, 2009: \$38.7 million), most of which are likely to be capitalised when incurred. In order to fund the contingent obligations, the Group would be required to raise additional funding.

## 9. SUBSEQUENT EVENTS

No subsequent events were identified.

*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's Discussion and Analysis published in the Group's Annual Report and in CIC's Annual Information Form.*

**Directors**

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

**Management**

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TSX symbol: ELC  
BSE Name: CIC ENERGY

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CUSIP: G2136R