



CIC ENERGY CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended February 28, 2010

Dated: April 13, 2010

TABLE OF CONTENTS

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

## 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, 2010.

Additional information relating to CIC Energy, including the Company's Annual Information Form for the year ended November 30, 2009, has been filed on 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, 2010 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, 2010, 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, 2010 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 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, with two such projects currently contemplated, (A) an approximately 1,320 mega-watt ("**MW**") (gross) power station project being targeted for the export of power to the South African market (the "**Mmamabula Energy Project**" or "**MEP**"), in respect of which development has been deferred, and (B) a power station project being targeted for domestic consumption in the Botswana market of at least 300MW (the "**Mookane Domestic Power Project**" or "**MDPP**"), in respect of which development is currently ongoing, (ii) a coal gasification and hydrocarbon production project (the "**Coal-to-Hydrocarbons Project**" or "**CTH Project**"), and (iii) an export coal project (the "**Export Coal Project**"). Each of these projects 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 Mmamabula Energy Project is the most advanced project of the Mmamabula Energy Complex. However, on December 3, 2009, the Minister of the Department of Energy in South Africa announced that the government's integrated resource plan, which is required under the Electricity Regulations on New Generation Capacity (the "**Regulations**") to be approved by the Minister of Energy and published in the government gazette, would only cover requirements for new generation capacity for the three year period from April 2010 to March 2013 (referred to as "**IRP1**"). The IRP1 was subsequently published in the South African government gazette on December 31, 2009. Requirements for new generation capacity for later periods (i.e. 2013/2014 and beyond), being the period the Company considers to be the relevant period for the Mmamabula Energy Project, would only be addressed in a second integrated resource plan (referred to as "**IRP2**"), which is expected to be published following a public consultation process that is anticipated to take place during the second calendar quarter of 2010.

Based on the Company's present understanding of the Regulations, an approval of the Mmamabula Energy Project by the Department of Energy will only be possible following the completion and gazetting of the IRP2, and then only for commencement of commercial operations no earlier than 2014 (or such later period as may be indicated in the IRP2, once completed). As a result, the Company determined in December 2009 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 IRP2 has been completed.

In a news release of March 1, 2010, the Company announced that it had signed a non-legally binding memorandum of understanding with GCL Projects Limited, an affiliate of Golden Concord Holdings Limited ("GCL"), for the purposes of pursuing the development of the Mookane Domestic Power Project, a 300 MW (gross) power station and associated mine to be located in Botswana at the Mmamabula coalfield. The Company and GCL have decided to explore the feasibility of increasing the size of the power station and associated mine, and evaluations in relation thereto are currently ongoing. Pursuant to the proposed project structure, GCL would be the majority equity investor of the MDPP and CIC Energy would be a 30% equity holder in the MDPP.

The loss for the three months ended February 28, 2010 was \$3.3 million compared to a profit of \$0.2 million for the same period in the previous year. This was primarily due to reduced interest income on cash and cash equivalents held by the Company, as well as losses accounted for as a result of foreign exchange translations.

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, 2011. 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<br>February 28, 2010<br>(reviewed) | Three months ended<br>February 28, 2009<br>(reviewed) | Year ended<br>November 30, 2009<br>(audited) |
|-----------------------------------|---|---|--|
| Interest received                 | 19  | 578   | 1,064  |
| Profit (loss) on foreign exchange | (625)   | 2,237   | 1,498  |
| Total income                      | (606)   | 2,815   | 2,562  |
| Office and general expenses       | 1,335   | 1,458   | 4,194  |
| Personnel expenses                | 320   | 583   | 1,393  |
| Stock based compensation          | 507   | 188   | 1,055  |
| Other expenses                    | 449   | 429   | 1,357  |
| Income taxes                      | 47  | -   | 218  |
| Net loss                          | (3,265)   | 157   | (5,655)                                      |

The loss for the three months ended February 28, 2010 was \$3.3 million compared to a profit of \$0.2 million for the same period in the previous year. This was primarily due to reduced interest income on cash and cash equivalents held by the Company, as well as losses recognised as a result of foreign exchange translations.

### **Exploration Properties**

The Company indirectly holds two prospecting licences 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 two prospecting licences are designated as 75/2002 and 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**", prospecting licence 75/2002 is referred to in this MD&A as "**Mmamabula South**", and Mmamabula East and Mmamabula South are collectively referred to in this MD&A as the "**MEC Coalfield**".

The MEC Coalfield 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 MEC Coalfield. CIC Energy has substantially completed exploration of the MEC Coalfield and is well advanced in the geological analysis of the MEC Coalfield, with the intention of defining coal resources which will be suitable for each of the Mmamabula Energy Project, the Mookane Domestic Power Project, the CTH Project and the Export Coal 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 Mmamabula Energy Project, 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 included the area containing the coal resources identified for use for the Mmamabula Energy Project, and 11/2004, which contains 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**"), 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. Please see *Mineral Resource Estimates* below for further details.

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.

It is intended that Meepong Resources will continue to develop retention licence 2009/1R for the purposes of the Mmamabula Energy Project, and that CIC Resources will develop prospecting licence 11/2004 for the other projects contemplated for the Mmamabula Energy Complex, including the Mookane Domestic Power Project. In order to do so, it is anticipated that CIC Resources will soon request the Government of Botswana to further divide prospecting licence 11/2004 so as to separate the coal resources that will be used for the Mookane Domestic Power Project from the balance of the coal resources, and to approve the transfer of these coal resources from CIC Resources to another Botswana subsidiary of the Company.

#### *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. In December 2008 Meepong Resources submitted to the Government of Botswana an application for a renewal of prospecting licence 75/2002 for a period of two years.

On March 27, 2009, the Government of Botswana notified the Company that the Government had approved the transfer of prospecting licence 75/2002 from Meepong Resources to CIC Resources, which transfer occurred with effect from June 1, 2009.

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

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

CIC Energy announced updated NI 43-101 mineral resource estimates for the MEC Coalfield in June 2007. A technical report on the MEC Coalfield 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 the MEC Coalfield 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 the MEC Coalfield in September 2008. A technical report on the MEC Coalfield 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 the MEC Coalfield 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.

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

As the drilling program has been substantially completed, the Company has conducted geological modeling and analysis 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 Mmamabula Energy Project, the Mookane Domestic Power Project, the CTH Project and the Export Coal Project.

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 Mmamabula Energy Project and the Mookane Domestic Power Project are intended to help address these requirements. The Company believes that the demand for power from the Mmamabula Energy Project and the Mookane Domestic Power Project 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 both the MEP and the MDPP.

### ***Mmamabula Energy Project***

The MEP is expected to provide approximately 1,320 MW (gross) electricity to the southern African power grid, predominantly for export to South Africa, subject to, among other things, the successful conclusion of one or more power purchase agreements ("**PPAs**") and the raising of non-recourse project debt financing.

### ***Engagement with Eskom and BPC***

The Company, on behalf of its Botswana subsidiary Meepong Energy (Proprietary) Limited ("**Meepong Energy**"), submitted an offer to Eskom and BPC in March 2009 with respect to the PPAs and related documentation, however, the Company announced in a news release of July 17, 2009 that Eskom had advised the Company that Eskom could not commit to the purchase of electricity from an independent power producer (an "**IPP**") until such time as a sustainable funding model for Eskom has been agreed with the appropriate stakeholders.

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

On August 5, 2009, the Department of Energy of the Government of South Africa published 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 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 the Department of Energy (the "**Minister**") 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 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.

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

On December 3, 2009, the Minister provided information to the public regarding the then proposed integrated resource plan. According to the information provided by the Minister, the IRP1 would only cover requirements for new generation capacity for the three year period from April 2010 to March 2013. The IRP1 was subsequently published in the South African government gazette on December 31, 2009. Requirements for new generation capacity for later periods (i.e. 2013/2014 and beyond), being the period the Company considers to be the relevant period for the Mmamabula Energy Project, will be addressed in the IRP2, which is expected to be published following a public consultation process that is anticipated to take place during the second calendar quarter of 2010.

Based on the Company's understanding of the Regulations, an approval of the Mmamabula Energy Project by the Department of Energy will only be possible following the completion and gazetting of the IRP2, and then only for commencement of commercial operations no earlier than 2014 (or such later period as may be indicated in the IRP2, once completed).

As a result of these developments, 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 IRP2 has been completed.

#### *Licences and Permits*

The Company announced on December 1, 2008 that it had completed the final mine plan for the coal mine that will supply the MEP power station, 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. The planned capacity of the coal mine will be approximately 4.5 million metric sales tonnes per annum. 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 and the revised transmission routing (necessary in order to coordinate with the routing approved by the Government of the Republic of South Africa) 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 resulting from the reduction in size of the MEP and relocation of the intended mining area. CIC Energy also submitted an EIA study with respect to an upgrade of the Parr's Halt / Stockpoort border crossing between South Africa and Botswana to the Government of Botswana and the Government of South Africa, and the road from such border crossing to the MEP site, for transportation of certain materials to the MEP site. As of the date of this MD&A, these EIA studies were under review by the relevant authorities of the Government of Botswana and the Government of South Africa. Approval of these EIAs is a prerequisite for the granting of a mining licence, an

IPP licence, and surface rights required for the MEP, as well as the acquisition of transmission line and other necessary servitudes in Botswana.

Environmental, Social and Health Impact Assessment studies prepared in accordance with standards of the International Finance Corporation, the private sector arm of the World Bank Group, and related internationally-required compliance standards are ongoing.

#### *Procurement Processes*

In a news release of March 23, 2009, the Company announced that an Engineering, Procurement and Construction ("**EPC**") contract has been signed with Shanghai Electric Group Co., Ltd. ("**SEC**") for a power station to be built at the Mmamabula coalfield. 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).

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 will 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.

As announced on December 14, 2009 the Company has decided to defer further procurement processes until such time as the IRP2 has been completed. Please see *Project Development Timetable* below for further details.

#### *Financing Process*

As a result of reduced lending activity by international commercial banks, the Company has adjusted the financing strategy for the Mmamabula Energy Project to place a greater emphasis on development finance institutions, who historically have been significant financiers of projects such as the MEP and are less affected by the liquidity constraints being experienced by many international commercial banks.

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. ABSA and Standard Bank will lead the arranging of the non-Chinese commercial debt and any portion of the debt financing that benefits from support from the Export Credit Insurance Corporation of South Africa (Pty) Ltd. 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.

As announced on December 14, 2009 the Company has decided to defer further financing processes until such time as the IRP2 has been completed. Please see *Project Development Timetable* below for further details.

#### *Equity Investment*

In a news release of July 27, 2009, the Company announced that the Company had signed a Project Development Agreement with International Power plc ("**IPR**") with respect to the Mmamabula Energy Project, which agreement sets out the framework under which the Company and IPR will endeavour to negotiate definitive agreements pursuant to which IPR will become a 35% equity participant in the MEP, and will be responsible for the operations and maintenance of the power station component of the MEP.

### *Project Development Timetable*

The ability of the Company to complete the Mmamabula Energy Project is subject to various risks and uncertainties. In a news release of December 14, 2009, the Company announced that it had determined that it would be prudent to defer those project development activities unrelated to the regulatory approval process in South Africa until such time as the IRP2 has been completed. This deferral may adversely impact the procurement processes described above, both with respect to the EPC contract with SEC (which includes certain deadlines for the issue of a "notice to proceed"), and with respect to the tender processes underway (which have limited validity periods).

As a result, the Company 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**") may be achieved. Please see *Section 15: Risks* and *Section 17: Cautionary Statement Regarding Forward-Looking Statements* for further details.

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

In a news release of March 1, 2010, the Company announced that it had signed a non-legally binding memorandum of understanding with GCL for the purposes of pursuing the development of the MDPP, a 300 MW (gross) power station and associated mine to be located in Botswana at the Mmamabula coalfield. The Company and GCL have decided to explore the feasibility of increasing the size of the power station and associated mine, and evaluations in relation thereto are currently ongoing.

### *Equity Investment*

In the news release of March 1, 2010, the Company announced that pursuant to the proposed project structure, GCL would be the majority equity investor of the MDPP and CIC Energy would be a 30% equity holder in the MDPP. It was also announced that one or more additional parties would participate in the MDPP as strategic equity investors, and the Company anticipates making an announcement in respect thereof in the near future.

The Company and GCL are currently negotiating a shareholders' agreement (the "**MDPP Shareholders' Agreement**") with respect to the proposed development, implementation and investment in the MDPP.

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

The Company has commenced discussions with both BPC and the Government of Botswana regarding the development and implementation of the MDPP. The Company believes that it will be possible to adapt certain of the work that was done in preparation for the MEP (including resource planning, geotechnical analysis, engineering design and analysis, environmental and social impact assessments, and draft documentation negotiated with BPC and the Government of Botswana) for the purposes of the MDPP, which will facilitate the conclusion of negotiations with BPC and the Government of Botswana and the rapid development of the MDPP.

### *Procurement Processes*

In the news release of March 1, 2010, the Company announced that under the proposed project structure affiliates of GCL would act as the construction contractor and operator of the power station, and that the Company would be responsible for overseeing the development and operation of the mine. It has subsequently been agreed between the Company and GCL that GCL will act as the construction contractor and operator of the MDPP power station, mine, and all associated infrastructure. The Company anticipates that negotiations will commence soon with an affiliate of GCL for an engineering, procurement and construction contract with respect to the entire MDPP (the "**MDPP EPC Contract**").

### *Project Development Timetable*

The ability of the Company to complete the Mookane Domestic Power Project is subject to various risks and uncertainties. Until such time as the negotiations of the MDPP Shareholders' Agreement, the MDPP EPC Contract and the discussions with BPC and the Government of Botswana are further advanced, the Company is not in the position to evaluate the 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 and is currently under evaluation. An approximately 1,500 kilometre rail line 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 is in discussions with both the potential host governments on development alternatives for the Export Coal Project, and with 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 Company does not anticipate significant further expenditure on the Export Coal Project until such discussions have been 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**

During the third quarter of 2008, CIC Energy completed several technical feasibility studies on the CTH Project. The primary technical feasibility study was prepared by Jacobs Engineering to develop and evaluate viable CTH Project alternatives as well as provide technical and cost estimates. The results of this feasibility study were positive, as announced in the Company's news release of August 5, 2008. The Jacobs study concluded that the coal from the MEC Coalfield was entirely suitable for the production of synthesis gas ("syngas") using either the Shell or the Siemens gasification technologies that were evaluated.

The results from two additional technical studies that were undertaken, as previously announced, were incorporated into the Jacobs feasibility study. These included a technical study by Toyo Engineering of Japan related to the manufacturing of a specific fuel end-product (dimethyl ether) from the syngas. The third technical study was a pre-feasibility study conducted by a partnership between Lategan & Bouer and VGI Consulting Inc. (both from South Africa) to evaluate a multi-product pipeline from the Mmamabula Energy Complex site to the Gauteng area in South Africa. The outcomes of both of these studies were positive and additional work is being considered.

A detailed value-chain study, which includes a comprehensive market study, was completed by Shell Global Solutions International and is being assessed by the Company. The Company had entered into an option agreement with Shell Research Limited for the grant of a licence over coal gasification intellectual property, which option expired on 19 August 2009. As a result, should the Company elect to use Shell coal gasification technology, it will be necessary to negotiate the new grant of a licence.

The Company is evaluating alternatives for the development of the Coal-to-Hydrocarbons Project in light of the feasibility studies and marketing studies that have been completed. The Company is also exploring smaller scale coal-to-hydrocarbons options sized to the domestic Botswana market. The Company does not anticipate significant further expenditure on the CTH Project until such evaluations have been completed.

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 there are sufficient ground water resources available to supply 12 million cubic meters 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**"), then a 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. In order to facilitate the financing of the MEP, the ownership of Meepong Water was transferred from CIC Energy to Meepong Energy with effect from September 1, 2009.

In order to facilitate the development of the MDPP, the Company intends to request the Government of Botswana to transfer certain of the groundwater abstraction rights currently held by Meepong Water to one of the new Botswana project companies that will develop the MDPP.

#### 4. Summary of Quarterly Results

(Prepared in accordance with Canadian GAAP)

Net Income Highlights  
(in thousands of \$)

| Quarters ended      | Total income | Total expenses | Net income (loss) | Basic and diluted loss per share |
|---------------------|--------------|----------------|-------------------|----------------------------------|
| February 28, 2010*  | (606)        | 2,612          | (3,265)           | (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)                           |
| February 28, 2009*  | 2,815        | 2,658          | 157               | 0.01                             |
| November 30, 2008** | (1,043)      | 2,780          | (3,868)           | (0.07)                           |
| August 31, 2008*    | 2,345        | 2,597          | (342)             | (0.006)                          |
| May 31, 2008*       | 810          | 3,330          | (2,610)           | (0.05)                           |

\* 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.

All non-capitalized expenditure levels in the current quarter were on par with those in the same quarter of the prior year.

Cash Flow Highlights  
(in thousands of \$)

|                              | Three months ended<br>February 28, 2010<br>(reviewed) | Three months ended<br>February 28, 2009<br>(reviewed) | Year ended<br>November 30, 2009<br>(audited) |
|------------------------------|---|---|--|
| Operating activities         | (3,804)   | (2,122)   | (6,322)                                      |
| Investing activities         | (2,411)   | (6,680)   | (36,652)                                     |
| Financing activities         | -   | (379)   | (379)  |
| Beginning cash balance       | 42,468  | 85,820  | 85,820                                       |
| Net cash flow for the period | (6,215)   | (9,181)   | (43,352)                                     |
| Ending cash balance          | 36,253  | 76,639  | 42,468                                       |

#### **Operating Activities**

For the three months ended February 28, 2010, operating activities utilized \$3.8 million cash compared with a utilization of \$2.1 million in the same period in 2009. This increase was primarily due to foreign exchange losses in the three months ended February 28, 2010 as compared to foreign exchange gains in the same period in 2009.

### ***Investing Activities***

Investing activities for the three months ended February 28, 2010 utilized \$2.4 million cash compared with a utilization of \$6.7 million in the same period in 2009. The decrease resulted mainly from reduced activity as a consequence of decisions to defer the development activities on the Mmamabula Energy Project.

### ***Financing Activities***

Financing activities showed no movement for the three months ended February 28, 2010 compared to a net outflow of \$0.4 million in the same period last year.

## **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. This is particularly true in the current global credit markets and financial markets which continue to be characterised by significant reductions in liquidity.

As of February 28, 2010, the Company had cash and cash equivalents of approximately \$36.3 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, 2011. These amounts are budgeted for such period to be approximately \$13.3 million. This would leave a cash balance as of February 28, 2011 after the payment of committed costs of approximately \$22.9 million.

The Company is currently negotiating the MDPP Shareholders' Agreement, pursuant to which it is anticipated 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.

As a result of the Company's decision to defer those project development activities for the Mmamabula Energy Project that are unrelated to the regulatory approval process in South Africa until such time as the IRP2 has been completed, the Company is not currently incurring significant costs in relation to the Mmamabula Energy Project. Should the Company proceed with the equity funding commitment to the MDPP described above, it is expected that the Company will be required to raise additional funding prior to resuming project development activities for the MEP. Such additional funding would consist primarily of debt raised at the level of Meepong Energy and/or Meepong Resources, equity raised via joint venture arrangements related to Meepong Energy and/or Meepong Resources, 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 will be available in the quantities required on acceptable terms. This is particularly true in the current global credit markets and financial markets which continue to be characterised by significant reductions in liquidity. Depending on the amount of funding that is raised at such time, it may nevertheless be necessary to defer until after Financial Close of the MEP certain development activities that were anticipated to be undertaken prior to Financial Close of the MEP, which would be expected to extend the period between the occurrence of Financial Close and the commencement of commercial operations of the MEP.

The Company's cash and cash equivalents will not be sufficient to fund both the Company's share of the costs to implement the Mmamabula Energy Project and/or the Mookane Domestic Power Project following its/their Financial Close and the Company's ongoing personnel, office, lease and general expenses and committed third party costs following Financial Close of each of the MEP and the MDPP and additional funds will be required. Such additional funds are expected to consist primarily of debt raised at the level of the relevant project companies, equity raised via joint venture arrangements related to such project companies, and further capital raising by CIC Energy if required. The Company's ability to obtain such additional funds on favourable terms, or at all, may be affected by numerous factors beyond the Company's control, including but not limited to, adverse market changes, economic downturn and those other factors listed under *Section 15: Risks*.

The Company has no long term debt, capital lease obligations, operating leases, 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, 2010, the Company had working capital of \$36.3 million, compared to \$76.6 million as of February 28, 2009. The reduction in working capital 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, 2010 the Company has capitalized a total of \$168.8 million, including \$2.3 million that was capitalized during the quarter ended February 28, 2010, in respect of exploration and project development. A summary of the allocation of the total capitalized amounts (on a project and company basis) is set out below.

*Exploration*  
 (in thousands of \$)

|                                     | Balance at Nov 30, 2009 | (Disposals) / Additions | Balance at Feb 28, 2010 |
|-------------------------------------|-------------------------|-------------------------|-------------------------|
| CIC Resources (Botswana) (Pty) Ltd. | 60,789                  | 120                     | 60,909                  |
| Total                               | 60,789                  | 120                     | 60,909                  |

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 Nov 30, 2009 | (Disposals) / Additions | Balance at Feb 28, 2010 |
|------------------------------|-------------------------|-------------------------|-------------------------|
| Meepong Energy (Pty) Ltd.    | 54,197                  | 581                     | 54,778                  |
| Meepong Resources (Pty) Ltd. | 41,995                  | 1,575                   | 43,570                  |
| Meepong Water (Pty) Ltd.     | 3,356                   | 0                       | 3,356                   |
| Meepong Services (Pty) Ltd.  | 0                       | 0                       | 0                       |
| Total                        | 99,549                  | 2,156                   | 101,704                 |

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 a result of the Company's decision to defer project development activities on the MEP that are unrelated to the South African regulatory issues, 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 will be required for the achievement of Financial Close for the MEP.

*Coal-to-Hydrocarbons Project*  
(in thousands of \$)

|                                     | Balance at Nov 30, 2009 | (Disposals) / Additions | Balance at Feb 28, 2010 |
|-------------------------------------|-------------------------|-------------------------|-------------------------|
| CIC Resources (Botswana) (Pty) Ltd. | 3,933                   | 0                       | 3,933                   |
| Total                               | 3,933                   | 0                       | 3,933                   |

The Coal-to-Hydrocarbons 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 evaluating alternatives for the development of the Coal-to-Hydrocarbons Project in light of the feasibility studies and marketing studies that have been completed. This process is expected to be completed during the current fiscal year and is not expected to require material expenditures.

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

|                                     | Balance at Nov 30, 2009 | (Disposals) / Additions | Balance at Feb 28, 2010 |
|-------------------------------------|-------------------------|-------------------------|-------------------------|
| CIC Resources (Botswana) (Pty) Ltd. | 2,286                   | 0                       | 2,286                   |
| Total                               | 2,286                   | 0                       | 2,286                   |

The Export Coal Project is intended to develop a rail transportation solution and export coal terminal. 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 in discussions with both the potential host governments on development alternatives for the Export Coal Project, and with 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. This process is expected to be completed during the current fiscal year and is not expected to require material expenditures.

### ***Capital Raising Activities***

There were no fund raising activities during the three months ended February 28, 2010 and there are no investments in asset-backed commercial paper.

### **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:

#### *Tau Capital Corp.*

CIC Energy carries on business outside Canada. On August 1, 2005, the Company entered into an administrative service agreement (the "**Tau Agreement**") with Tau Capital Corp. ("**Tau Capital**") for the provision of administrative, advisory and investor relation services, and to assist in fulfilling the Company's ongoing obligations as a reporting issuer listed for trading on a stock exchange in Canada. Until December 6, 2009, a director of the Company was the controlling shareholder of Tau Capital.

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

#### *Mendi Msimang*

On September 2, 2009, CIC Energy (SA) (Pty) Limited ("**CIC Energy (SA)**"), a wholly owned subsidiary of the Company that performs project development activities on behalf of the Company in South Africa, entered into a consulting agreement (the "**Consulting Agreement**") with Mendi Msimang, who was appointed a director of the Company on August 28, 2009. The Consulting Agreement 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).

## 9. Proposed Transactions

As of the date of this MD&A, there were no proposed asset or business acquisitions or dispositions expected to have an effect on the financial condition, results of operations or cash flows of the Company.

## 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, 2010.

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 recognized 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 value are expected to exceed the carrying amount of such long-lived assets.

A failure to reach Financial Close for the Company's project development activities (in particular the Mmamabula Energy Project and 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 recognized 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 recognized 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 realized 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 recognized in earnings on a straight-line basis over the relevant vesting period. The counterpart is recognized 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) 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 Company's presentation of its financial position or results of operations as at and for the period ended February 28, 2010.

### *(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 the reporting date. Based on management's assessment, no impairment charge was required at February 28, 2010.

### *(c) Goodwill and intangible assets*

Effective January 1, 2009, the Company adopted CICA Section 3064, "Goodwill and Intangible Assets" which replaces CICA Section 3062, "Goodwill and Other Intangible Assets" and Section 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 February 28, 2010.

*(d) Fair Value Hierarchy and Liquidity Risk*

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. 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 Company's financial statements as no financial instruments were subsequently recognised at fair value.

*FUTURE ACCOUNTING POLICIES*

*(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; 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.

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.

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

*(b) Adoption of International Financial Reporting Standards*

The Company will be adopting International Financial Reporting Standards ("IFRS") from December 1, 2011. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company reporting for the first quarter of the fiscal year beginning on December 1, 2011, for which the current and comparative information will be prepared under IFRS.

The Company is currently engaged in the scoping phase of its conversion process, which involves a high level review of the major differences between Canadian GAAP and IFRS, setting a timeline for resources and developing a project plan. This scoping phase is intended to provide direction to the Company's management for the second phase of the conversion process, and will be disclosed in the Company's annual financial statements and management's discussion and analysis for the year ending November 30, 2010.

**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 13, 2010. 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         | 1,252,500 |            |
|                                      | July 26, 2014  | \$8.00         | 340,000   |            |
|                                      | Sept 1, 2014   | \$8.00         | 150,000   |            |
|                                      | Mar 2, 2015    | \$15.82        | 40,000    |            |
|                                      | June 1, 2015   | \$14.90        | 160,000   |            |
|                                      | Aug 6, 2017    | \$4.00         | 600,000   |            |
|                                      | Aug 28, 2017   | \$2.06         | 200,000   |            |
|                                      | Dec 16, 2017   | \$2.00         | 810,000   |            |
|                                      | Jan 12, 2018   | \$2.00         | 1,315,000 |            |
|                                      |                |                |           | 4,867,500  |
| Warrants                             |                |                | N/A       |            |
| Total number of Fully Diluted Shares |                |                |           | 57,441,469 |

#### **14. Internal Control Over Financial Reporting**

No changes were made to the Company's internal control over financial reporting during the period beginning on December 1, 2009 and ended on February 28, 2010, 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, and in particular the Mmamabula Energy Project and the Mookane Domestic Power Project. 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.

##### ***Project Development Risks***

The development of the Mmamabula Energy Project and/or the Mookane Domestic Power Project 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 and heads of agreement concerning the development of the Mmamabula Energy Project and the Mookane Domestic Power 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 Mmamabula Energy Project and/or the Mookane Domestic Power 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 both the Mmamabula Energy Project and the Mookane Domestic Power 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 Mmamabula Energy Project and/or the Mookane Domestic Power Project, as the case may be, and in turn, the business, financial condition and results of operations of CIC Energy.

The successful development of both the Mmamabula Energy Project and the Mookane Domestic Power Project is dependent on the ability of CIC Energy to conclude agreements with equity partners, including an arrangement with an IPP partner. If CIC Energy fails to enter into all requisite equity agreements, CIC Energy may be unable to proceed with the development of the Mmamabula Energy Project and/or the Mookane Domestic Power Project, as the case may be.

The Regulations published by the Department of Energy in South Africa have only recently come into force and there is no precedent as to how they will be implemented and applied. In addition, certain of the entities given responsibilities and obligations under the Regulations may not currently be in a position to fully exercise such responsibilities or perform such obligations. Any delay or lack of clarity in the application of the new Regulations may adversely affect the ability of the Company to achieve Financial Close of the MEP in a timely manner or at all and/or successful development of the Mmamabula Energy Project and, in turn, the business, financial condition and results of operations of CIC Energy. In addition, any delay by the Department of Energy in South Africa in preparing the IRP2, or the failure of the IRP2 to be completed in a timely manner, or the failure of the IRP2 when completed to provide for the

Mmamabula Energy Project, may adversely affect the ability of the Company to achieve Financial Close of the MEP in a timely manner or at all and/or successful development of the Mmamabula Energy Project and, in turn, the business, financial condition and results of operations of CIC Energy.

In particular, the procurement processes for the Mmamabula Energy Project may be adversely affected by the delay by the Department of Energy in South Africa in preparing the IRP2, including the need to renegotiate the EPC contract with SEC, and/or restart negotiations or retender works for the development of the mine, including coal beneficiation and handling equipment, and other associated infrastructure. There can be no assurance that any such renegotiations or tenders would be successful, which may adversely affect the ability of the Company to achieve Financial Close of the MEP in a timely manner or at all and/or successful development of the Mmamabula Energy Project and, in turn, the business, financial condition and results of operations of CIC Energy.

The power produced by each of the Mmamabula Energy Project and the Mookane Domestic Power Project is intended to be sold under PPAs to be entered into with the relevant offtakers (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 Mmamabula Energy Project and/or the Mookane Domestic Power Project, as the case may be, being commercially unfeasible.

The successful conclusion of the PPAs for the Mmamabula Energy Project and/or the Mookane Domestic Power Project, 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 finalize the PPAs for the Mmamabula Energy Project and/or the Mookane Domestic Power Project, 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 Mmamabula Energy Project and/or the Mookane Domestic Power Project, as the case may be, and on CIC Energy's financial condition.

In order to successfully develop the Mmamabula Energy Project and/or the Mookane Domestic Power Project, 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 project. In the event that Financial Close for the Mmamabula Energy Project and/or the Mookane Domestic Power Project, as the case may be, 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.

CIC Energy will also be required to procure significant mining and processing plant equipment for the mining operations, as well as general infrastructure, for the Mmamabula Energy Project and/or the Mookane Domestic Power Project, 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 authorizations and, in some cases, renewals of existing licences, permits and authorizations from various governmental and quasi-governmental authorities. CIC Energy's ability to obtain, maintain or renew such licences, permits and authorizations 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 it.

The ownership and operation of the proposed power station for each of the Mmamabula Energy Project and the Mookane Domestic 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 of the Mmamabula Energy Project and the Mookane Domestic 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 of the Mmamabula Energy Project and the Mookane Domestic 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.

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 of the Mmamabula Energy Project and the Mookane Domestic 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 authorizations, 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 of the Mmamabula Energy Project and the Mookane Domestic 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 Mmamabula Energy Project and/or the Mookane Domestic 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 the Mmamabula Energy Project and/or the Mookane Domestic Power Project, as the case may be, 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 Mmamabula Energy Project and/or the Mookane Domestic Power Project 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 Mmamabula Energy Project and/or the Mookane Domestic Power Project, as the case may be.

For the Mmamabula Energy Project and/or the Mookane Domestic 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 Mmamabula Energy Project and/or the Mookane Domestic Power Project, as the case may be. As well, there is also a dispatch risk for the power that is generated, depending on the current status of the transmission network and other generation assets on the network. Unavailability of transmission networks to evacuate the power produced by the power stations, as well as other disturbances on the interconnected networks in the Southern African Power Pool could reduce the amount of electricity sold and as such impact on CIC Energy's financial results.

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 the Mmamabula Energy Project and/or the Mookane Domestic Power Project. 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 Mmamabula Energy Project is expected to be received in Rand, 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. Revenue from the Mookane Domestic Power Project also 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***

Should the Company proceed with the equity funding commitment to the MDPP, it is expected that the Company will be required to raise additional funding prior to resuming project development activities for the Mmamabula Energy Project. 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 the Mmamabula Energy Project to Financial Close. Failure to obtain sufficient financing when needed will result in a delay or indefinite postponement of Financial Close and/or development of the Mmamabula Energy Project 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 characterized by an absence of liquidity in development stage companies, which may result in severe difficulty in raising equity capital.

The construction and implementation of the Mmamabula Energy Project and/or the Mookane Domestic Power Project will require the raising of debt financing. International debt markets continued to be characterized by an absence of liquidity, which may result in severe difficulty in obtaining commercial debt financing.

In addition to the foregoing, in the event that the tariff under the PPAs for the Mmamabula Energy Project and/or the Mookane Domestic Power Project is payable in a currency other than a "hard currency", the development of the Mmamabula Energy Project and/or the Mookane Domestic Power Project may require the raising of substantial debt financing in a soft currency, or the hedging of such soft currency into a hard currency. There is a risk that sufficient soft currency and/or hedging of such soft currency into a hard currency may not be available to finance the Mmamabula Energy Project and/or the Mookane Domestic Power Project, as the case may be. In addition, increases in soft currency interest rates may increase the cost of project debt funding and adversely impact the Mmamabula Energy Project and/or the Mookane Domestic Power Project, as the case may be. 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 Mmamabula Energy Project and/or the Mookane Domestic Power Project, as the case may be.

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

The major milestones to be achieved on the Mmamabula Energy Project are expected to be: approval and publication of the IRP2 in South Africa, completion of negotiations with equity investors (including an independent power producer partner to operate the MEP power station), completion of negotiations and execution of the PPA(s), approval of the PPA(s) by the Government of South Africa and NERSA, completion of negotiations and execution of contracts for mine and infrastructure development, completion of negotiations and execution of various documents with the Government of Botswana, issuance of an IPP licence, mining licence and other licences and permits, negotiation and execution of financing documents with the project lenders, satisfaction of the conditions precedent to the disbursement of funds and start of construction.

The major milestones to be achieved on the Mookane Domestic Power Project are expected to be: completion of negotiation of the MDPP Shareholders' Agreement, the MDPP EPC Contract and other related documentation with GCL, completion of negotiations and execution of the PPA with BPC, approval of the PPA by the Government of Botswana, completion of negotiations and execution of various documents with the Government of Botswana, issuance of an IPP licence, mining licence and other licences and permits, negotiation and execution of financing documents with the project lenders, satisfaction of the conditions precedent to the disbursement of funds and start of construction.

With respect to the Export Coal Project, the primary activities to be undertaken are engagement with potential joint venture partners and governmental entities on the possible development alternatives, completion of environmental impact assessments and a bankable feasibility study.

With respect to the CTH Project, the primary activities to be undertaken are identification of preferred markets and logistical solutions, and, assuming that market conditions are considered to be favourable, identification of preferred investment partners, and completion of environmental impact assessments and a bankable feasibility study.

## 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 Regulations, approval, content and publication of the IRP2 in South Africa and the timing of same, the public consultation process in connection with the IRP2 and the timing of same and the implementation and completion of the regulatory approval process in South Africa; the Mmamabula Energy Project; the Mookane Domestic Power Project, including the proposed structure with GCL, as well as the Company's expectation that the Company will transfer the coal resources to be used for the MDPP from CIC Resources to another Botswana subsidiary of the Company; the adaptation of certain of the work that was done in preparation of the MEP for the purposes of the MDPP and its effect on the timing of the development of the MDPP; the ability of CIC Energy to continue development activities at the MEP unrelated to the regulatory approval processes until the completion of the IRP2; development activities, anticipated milestones, and planned operations of CIC Energy; the demand for power in southern Africa; anticipated expenditures (including anticipated equity expenditures under the MDPP Shareholders' Agreement, which are based on negotiations currently underway) and the Company's expectation that it has sufficient cash and cash equivalents to satisfy same through to February 28, 2011; the development costs relating to the MDPP and the Company's expectation that it has sufficient cash and cash equivalents to satisfy such costs up to Financial Close of the MDPP; the sufficiency of the Company's anticipated cash following Financial Close of the MDPP and the MEP; the negotiation of PPAs for the Mmamabula Energy Project and/or the Mookane Domestic Power Project and the achievement of Financial Close of each of the MEP and the MDPP; estimates and/or assumptions in respect of mineral and ground water resources, mineral resource qualities, targets, future production, goals, 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 realized or substantially realized, 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 or failure in the preparation and completion of the IRP2 or the implementation of the regulatory approval process in South Africa necessary to achieve Financial Close of the MEP; 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 of the Mmamabula Energy Project and/or the Mookane Domestic Power Project, on favourable terms or at all (including definitive agreements with GCL); the failure of the counterparties to such requisite agreements (including the EPC contract with SEC) to comply in all material respects with the terms and conditions of such agreements; the failure to complete agreements with equity partners, including an arrangement with an IPP partner 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 MEP and the MDPP and/or the implementation of the Mmamabula Energy Project and/or the Mookane Domestic Power Project on favourable terms or at all; capital equipment, infrastructure and operating costs varying significantly from estimates; delays in the development of the Mmamabula Energy Project and/or the Mookane Domestic Power Project 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 failure to obtain acceptable tariffs and/or concessions, including tax concessions, from the Government of Botswana; 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 adapt certain of the work that was done in preparation of the MEP for the purposes of the MDPP; inability to obtain requisite credit support from the Government of South Africa and/or the Government of Botswana in relation to the Mmamabula Energy Project and/or the Mookane Domestic Power Project; delays or failures in obtaining regulatory permits and/or licences (and renewals thereof) and authorizations respecting 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 soft currency and/or hedging of soft currency into hard currency if the tariff under the PPAs for the MEP and MDPP is payable in other than hard currency; 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 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 Mmamabula Energy Project and/or the Mookane Domestic Power Project, or the failure to obtain amendments to any such laws that may be necessary to implement the Mmamabula Energy Project and/or the Mookane Domestic Power Project; political risks arising from operating in Africa; limited capacity among EPC firms; 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 at 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.