



**Consolidated Financial Statements  
for the years ended November 30, 2010 and 2009  
(Expressed in Canadian Dollars)**

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## Management's Responsibility for Financial Reporting

### To the Shareholders and Directors of CIC Energy Corp.

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

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

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

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

Warren E. Newfield, CEO  
28 February 2011

Alexandrea I. Gatis, CFO  
28 February 2011

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## Auditors' Report

### To the Shareholders of CIC Energy Corp.

We have audited the consolidated balance sheets of CIC Energy Corp. as at November 30, 2010 and 2009 and the consolidated statements of operations, comprehensive income and deficit and cash flows for each of the years ended November 30, 2010 and 2009. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Group as at November 30, 2010 and 2009 and the results of its operations and its cash flows for the years ended November 30, 2010 and 2009 in accordance with Canadian generally accepted accounting principles.

KPMG Inc.

Per Nick van Niekerk  
Chartered Accountant (SA)  
Registered Auditor  
Director  
28 February 2011

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

	Note	2010 \$	2009 \$
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	7	25,708,947	42,467,970
Taxation receivable		-	99,540
Other receivables	8	181,208	362,159
Deposits		24,402	32,506
Prepayments		99,289	752,318
		<u>26,013,846</u>	43,714,493
Non-current assets:			
Property, plant and equipment	9	710,799	1,840,959
Coal-to-Hydrocarbons project	10	3,932,819	3,932,819
Mmamabula Energy Project infrastructure	11	1,716,621	1,716,621
Exploration properties	12	169,535,760	160,907,775
		<u>175,895,999</u>	168,398,174
		<u>201,909,845</u>	<u>212,112,667</u>
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities	13	4,616,211	4,960,993
Taxation payable		1,629	-
Rehabilitation provision	14	441,880	1,325,665
		<u>5,059,720</u>	6,286,658
Capital stock	15	219,820,027	219,820,027
Stock options	15	5,540,165	8,315,812
Contributed surplus	15	23,850,719	18,871,179
Deficit	15	(52,360,786)	(41,181,009)
<b>Shareholders' equity</b>	15	<u>196,850,125</u>	205,826,009
		<u>201,909,845</u>	<u>212,112,667</u>
Going concern	2		
Commitments	24		
Contingent liabilities	26		

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

Approved on behalf of the directors:

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 Warren E. Newfield

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 Alexandra I. Gatis

CIC Energy Corp.  
**Consolidated Statements of Operations**  
**For the years ended November 30, 2010 and 2009**

	Note	2010 \$	2009 \$
<b>Other income</b>			
Interest received	18	190,097	1,063,563
Foreign exchange gain		-	1,498,379
		<u>190,097</u>	<u>2,561,942</u>
<b>Corporate and exploration expenses</b>			
Office and general expenses	21	(4,202,367)	(4,194,198)
Personnel expenses	20	(2,980,651)	(1,392,595)
Stock-based compensation	15(d), 20	(1,336,053)	(1,055,333)
Operating lease expenses		(683,050)	(732,369)
Foreign exchange loss		(600,460)	-
Management fees paid	17	(600,000)	(345,811)
Loss on disposal of assets		(256,129)	-
Depreciation	9	(319,624)	(216,453)
Listing subscription		(48,560)	(62,255)
Interest paid	19	(23,852)	-
		<u>(11,050,746)</u>	<u>(7,999,014)</u>
Net loss before income taxes		<u>(10,860,649)</u>	<u>(5,437,072)</u>
Income taxes	16	(319,128)	(218,109)
Net loss for the year		<u>(11,179,777)</u>	<u>(5,655,181)</u>
<b>Basic and diluted loss per share</b>	22	<b>\$ (0.21)</b>	<b>\$ (0.11)</b>
<b>Basic and diluted weighted average number of common shares outstanding</b>	22	<b>52,573,969</b>	<b>52,600,550</b>

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

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CIC Energy Corp.  
Consolidated Statements of Comprehensive Income and Deficit  
For the years ended November 30, 2010 and 2009

	Note	2010 \$	2009 \$
<b>Comprehensive Income</b>			
Net loss for the year		(11,179,777)	(5,655,181)
Other comprehensive income, net of tax		-	-
Comprehensive loss		<u>(11,179,777)</u>	<u>(5,655,181)</u>
<b>Deficit</b>			
Deficit, beginning of year		(41,181,009)	(35,525,828)
Net loss for the year		<u>(11,179,777)</u>	<u>(5,655,181)</u>
Deficit, end of year	15	<u>(52,360,786)</u>	<u>(41,181,009)</u>

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

CIC Energy Corp.  
**Consolidated Statements of Cash Flows**  
**For the years ended November 30, 2010 and 2009**

	Note	2010 \$	2009 \$
<b>Cash flows from operating activities</b>			
Net loss before interest and tax		(11,026,894)	(6,500,635)
Items not affecting cash:			
Unrealised operational foreign exchange loss/(gain)		600,460	(1,498,379)
Realised loss on disposal of assets		256,129	-
Depreciation	9	319,624	216,453
Stock-based compensation	15(d), 20	1,336,053	1,055,333
Environmental rehabilitation payments	14	(883,785)	(333,855)
Change in non-cash working capital	23(a)	(28,555)	329,086
Interest received	23(c)(i)	190,097	1,063,563
Interest paid	23(c)(ii)	(23,852)	-
Income tax paid	23(c)(iii)	(217,959)	(653,381)
Net cash flow used in operating activities		<u>(9,478,682)</u>	<u>(6,321,815)</u>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	9	(67,419)	(274,280)
Proceeds on disposal of property, plant and equipment	9	1,147,683	-
Additions to MEP infrastructure	11	-	(126,679)
Exploration properties expenditure	12, 23(b)	(8,360,605)	(36,250,794)
Net cash flow used in investing activities		<u>(7,280,341)</u>	<u>(36,651,753)</u>
<b>Cash flows from financing activities</b>			
Repurchase of shares	15	-	(378,785)
Net cash flow used in financing activities		-	<u>(378,785)</u>
Decrease in cash and cash equivalents		(16,759,023)	(43,352,353)
Cash and cash equivalents, beginning of year		42,467,970	85,820,323
Cash and cash equivalents, end of year	7	<u>25,708,947</u>	<u>42,467,970</u>

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

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

## 1. NATURE OF OPERATIONS

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

The consolidated financial statements for the years ended November 30, 2010 and 2009 comprise CIC and its wholly-owned subsidiaries, together referred to as the "Group". Wholly-owned subsidiaries are outlined below:

- CIC International (Barbados) Corp.
- CIC (Barbados) Holding Corp.
- CIC (Barbados) Mining Corp.
- CIC (Barbados) Energy Corp.
- CIC Trans Africa (Barbados) Corp.
- CIC Energy (Botswana) (Proprietary) Limited
- CIC Energy (SA) (Proprietary) Limited
- CIC Energy (Bahamas) Limited
- Meepong Water (Proprietary) Limited
- Bon-Terra Mining (Proprietary) Limited
- SAD-ELEC (Proprietary) Limited
- Meepong Resources (Mauritius) (Proprietary) Limited
- Meepong Energy (Mauritius) (Proprietary) Limited
- Meepong Resources (Proprietary) Limited
- Meepong Energy (Proprietary) Limited
- Meepong Services (Proprietary) Limited
- CIC Resources (Botswana) (Proprietary) Limited
- Trans Africa Rail (Proprietary) Limited
- Golden Concord Mookane Minerals (Proprietary) Limited
- Golden Concord Mookane Power (Proprietary) Limited

## 2. GOING CONCERN

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

As of November 30, 2010, the Company had cash and cash equivalents of approximately

\$25.7 million which is adequate to fund the Company's ongoing personnel, office, lease and general expenses as well as committed third party costs through to at least November 30, 2011. These are budgeted to be approximately \$15.7 million. This would leave a cash balance of approximately \$10 million. For planning purposes, a further contingency of \$5 million has been assumed, with the result being a budgeted cash balance as of November 30, 2011 of approximately \$5 million.

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

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

The Company does not anticipate incurring material development costs prior to November 30, 2011 on its other project development activities.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of presentation

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

The significant accounting policies of the Group are as follows:

#### (b) Basis of consolidation

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

#### (c) Translation of foreign currencies

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

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

#### (d) Property, plant and equipment

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

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

#### (e) Coal-to-Hydrocarbons

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

Once a project reaches commercial production, the coal-to-hydrocarbons costs are amortised over the estimated useful life.

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

#### (f) MEP infrastructure

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

#### (g) Exploration properties

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

Once a project reaches commercial production, the exploration costs are amortised over the estimated useful life of the producing properties.

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

**(h) Impairment of long-lived assets**

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

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

**(i) Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**Environmental rehabilitation provision**

Estimated long-term environmental provisions, comprising pollution control, rehabilitation and mine closure, are based on the Company's environmental policy taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the construction of an asset, they are capitalised as part of the cost of those assets. The effect of subsequent changes to

assumptions in estimating an obligation for which the provision was recognised as part of the cost of the asset is adjusted against the asset. Any subsequent changes to an obligation which did not relate to the initial construction of a related asset are charged to the income statement.

**Ongoing rehabilitation expenditure**

Ongoing rehabilitation expenditure is charged to the statement of operations.

**(j) Income taxes**

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

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

A valuation allowance is recorded against any future income tax assets if it is more likely that the asset will not be realised. Refer to note 16(b).

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

Current taxation is the expected taxation payable, using taxation rates enacted at the balance sheet date.

**(k) Use of estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the years.

Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, goodwill, coal-to-hydrocarbons project, mine infrastructure, exploration properties, valuation allowances of receivables, rehabilitation provisions and stock-based compensation. Actual results could differ from those estimates.

**(l) Loss per share**

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

**(m) Cash and cash equivalents**

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

**(n) Stock-based compensation**

The Group has a stock-based compensation plan for agent options and compensation warrants, employees and property acquisition agreements, which are described in note 16(c). The Group accounts for all stock-based payments to non-employees under the fair value based method and accounts for all stock-based employee awards that call for settlement by the issuance of equity instruments under that method.

Under the fair value based method, compensation cost for equity settled stock options is measured at fair value at the grant date. Compensation cost is recognised in the statement of operations on a straight-line basis over the relevant vesting period. The counterpart is recognised in contributed surplus. Upon exercise of a stock option, share capital is recorded at the sum of the proceeds received and the related amount of contributed surplus.

**(o) Equity issue expenses**

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

**(p) Asset retirement obligation**

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

**(q) Financial instruments, disclosure and presentation.**

The Canadian Institute of Chartered Accountants ("CICA") issued new accounting standards: Section 3862-Financial instruments disclosures, and Section 3863-Financial instruments presentation. The new sections replace Section 3861-Financial instruments disclosure and presentation.

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

Section 3863 establishes standards for presentation of financial instruments and non financial derivatives and provides additional guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, and the classification of related interest, dividends, losses and gains. The adoption of this new accounting standard did not have any impact on the Group's financial statements.

#### 4. FUTURE ACCOUNTING POLICIES

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

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

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

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

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

##### **(b) Consolidated financial statements and Non-controlling interests**

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

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

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

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

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

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

##### **(d) International Financial Reporting Standards (IFRS)**

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

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

## 5. FINANCIAL ASSETS AND LIABILITIES

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

	2010		2009	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
<b>Financial assets</b>				
(i) Cash and cash equivalents	25,708,947	25,708,947	42,467,970	42,467,970
(ii) Other receivables	73,170	73,170	46,063	46,063
(iii) Deposits	24,402	24,402	32,506	32,506
<b>Financial liabilities</b>				
(ii) Accounts payable and accrued liabilities	4,401,759	4,401,759	4,842,001	4,842,001

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

## 6. FINANCIAL RISK MANAGEMENT

### Overview

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

- credit risk
- liquidity risk
- market risk

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

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

### (i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents.

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

### *Other receivables*

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

### (ii) Liquidity risk

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

The Group has cash, to the value of \$25.7 million, to service future cash requirements. Also refer to note 2 – Going concern.

### (iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holding of financial

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended November 30, 2010 and 2009.

instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group does not buy and sell derivatives.

*Currency risk*

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

*Interest rate risk*

The interest rate risk is not hedged.

**(iv) Capital Management**

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

On September 24, 2008, the Company announced that it had obtained approval from the Toronto Stock Exchange ("TSX") in terms of which the Company was permitted to purchase up to 2,688,288 common shares in the open market over a twelve month period. The bid commenced on September 26, 2008 and ended on September 25, 2009. The purchases in the open market will be made through the facilities of the TSX and conducted at the market price at the time of acquisition. All shares purchased by the Company were subsequently cancelled. Refer to note 15(a)(i).

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by optimising the value of ore reserves within levels of acceptable risk.

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

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

During 2010, the Group's strategy, which was unchanged from 2009, was to maintain the debt-to-adjusted capital ratio at the lower end of the range 2:100 to 5:100, in order to limit monthly cash flow commitments and reduce dependency on uncertain financial markets.

<i>(all amounts in \$)</i>	<b>2010</b>	<b>2009</b>
Total Debt	5,059,720	6,286,658
Less: Cash & cash equivalents	<u>(25,708,947)</u>	<u>(42,467,970)</u>
Net Cash	<u>(20,649,227)</u>	<u>(36,181,312)</u>
Adjusted Capital	196,850,125	205,826,009
Debt-to-adjusted capital ratio	<u>-0.10</u>	<u>-0.18</u>

The increase in the debt-to-adjusted capital ratio during 2010 resulted primarily from the reduction in shareholders equity due to the utilisation of cash resources to fund further exploration activities.

**INTEREST INCOME AND RISK**

**Recognised in net income**

<i>(all amounts in \$)</i>	<b>2010</b>	<b>2009</b>
Interest income on bank deposits	<u>190,097</u>	<u>1,063,563</u>
Total interest income	<u>190,097</u>	<u>1,063,563</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended November 30, 2010 and 2009.

**Interest rate risk**

**Profile**

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

<i>(all amounts in \$)</i>	2010	2009
<b>Variable rate instruments</b>		
Cash and cash equivalents	25,708,947	42,467,970

**Cash flow sensitivity analysis for variable rate Instruments**

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and net income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

<i>(all amounts in \$)</i>	Net income		Equity	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
<b>November 30, 2010</b>				
Variable rate instruments	(257,000)	257,000	-	-
<b>November 30, 2009</b>				
Variable rate instruments	(425,000)	425,000	-	-

**CURRENCY RISK**

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

	November 30, 2010			November 30, 2009		
	CAD	BWP	ZAR	CAD	BWP	ZAR
Other receivables	205,610	-	-	394,665	-	-
Cash and cash equivalents	23,896,623	5,854,989	6,363,414	36,836,213	32,652,853	2,277,938
Other payables	(4,616,211)	-	-	(4,960,991)	-	-
Gross balance sheet exposure	19,486,022	5,854,989	6,363,414	32,269,887	32,652,853	2,277,938

**Sensitivity Analysis**

A 10 percent strengthening of the Canadian dollar against the abovementioned currencies at November 30, 2010 and November 30, 2009 would have decreased net income by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant (a 10 percent weakening of the Canadian dollar against the above currencies at November 30, 2010 and November 30, 2009 would have had the equal but opposite effect). The analysis is performed on the same basis for 2009.

*(all amounts in \$)*

**November 30, 2010**

BWP	90,108
ZAR	91,124

**November 30, 2009**

BWP	530,273
ZAR	32,893

**7. CASH AND CASH EQUIVALENTS**

*(all amounts in \$)*

	2010	2009
Cash	4,706,481	6,303,481
Short-term deposits with initial maturities of less than three months	21,002,466	36,164,489
	<u>25,708,947</u>	<u>42,467,970</u>

**8. OTHER RECEIVABLES**

*(all amounts in \$)*

	2010	2009
Other receivables	73,170	46,063
Value added tax	108,038	316,096
	<u>181,208</u>	<u>362,159</u>

No allowances against receivables were accounted for.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended November 30, 2010 and 2009.

**9. PROPERTY, PLANT AND EQUIPMENT**

<i>(all amounts in \$)</i>	Property	Plant and machinery	Leasehold improvements	Motor vehicles	Office equipment and furniture	Total
<i>Cost</i>						
Balance at December 1, 2008	771,088	76,821	219,629	283,997	740,605	2,092,140
Additions for the period	68,995	-	-	-	205,285	274,280
<b>Balance at November 30, 2009</b>	<b>840,083</b>	<b>76,821</b>	<b>219,629</b>	<b>283,997</b>	<b>945,890</b>	<b>2,366,420</b>
Additions for the period	-	-	-	-	67,419	67,419
Disposals for the period	(840,083)*	(218)	-	-	(37,654)	(877,955)
<b>Balance at November 30, 2010</b>	<b>-</b>	<b>76,603</b>	<b>219,629</b>	<b>283,997</b>	<b>975,655</b>	<b>1,555,884</b>
<i>Accumulated depreciation</i>						
Balance at December 1, 2008	-	27,599	57,388	33,476	190,545	309,008
Depreciation for the period	-	13,300	-	49,879	153,274	216,453
<b>Balance at November 30, 2009</b>	<b>-</b>	<b>40,899</b>	<b>57,388</b>	<b>83,355</b>	<b>343,819</b>	<b>525,461</b>
Depreciation for the period	-	15,669	48,761	58,698	196,496	319,624
<b>Balance at November 30, 2010</b>	<b>-</b>	<b>56,568</b>	<b>106,149</b>	<b>142,053</b>	<b>540,315</b>	<b>845,085</b>
<i>Carrying amounts</i>						
At December 1, 2008	771,088	49,222	162,241	250,521	550,060	1,783,132
<b>At November 30, 2009</b>	<b>840,083</b>	<b>35,922</b>	<b>162,241</b>	<b>200,642</b>	<b>602,071</b>	<b>1,840,959</b>
<b>At November 30, 2010</b>	<b>-</b>	<b>20,035</b>	<b>113,480</b>	<b>141,944</b>	<b>435,340</b>	<b>710,799</b>

\* Included in prepayments was an amount of \$525,857 which related to costs of the building that was sold during August 2010. A cash-flow disclosure adjustment was required between the proceeds on disposal of property, plant and equipment (included in cash flows used in investing activities) and changes in working capital (included in cash flows used in operating activities). Also refer to note 23(a) – Changes in working capital.

The actual carrying value of the building that was sold during August 2010 was \$1,365,940.

The total proceeds on the disposal of property, plant and equipment for the year ended November 30, 2010 was \$1,147,683.

## 10. COAL-TO-HYDROCARBONS PROJECT

<i>(all amounts in \$)</i>				
2010	Balance, beginning of year	Additions	Disposals	Balance, end of year
Mmamabula coal-to-hydrocarbons project	3,932,819	-	-	3,932,819

  

2009	Balance, beginning of year	Additions	Disposals	Balance, end of year
Mmamabula coal-to-hydrocarbons project	3,932,819	-	-	3,932,819

## 11. MMAMABULA ENERGY PROJECT INFRASTRUCTURE

<i>(all amounts in \$)</i>				
2010	Balance, beginning of year	Additions	Disposals	Balance, end of year
Mmamabula Energy Project infrastructure	1,716,621	-	-	1,716,621

  

2009	Balance, beginning of year	Additions	Disposals	Balance, end of year
Mmamabula Energy Project infrastructure	1,589,942	126,679	-	1,716,621

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

## 12. EXPLORATION PROPERTIES

<i>(all amounts in \$)</i>					
2010	Balance, beginning of year	Additions	Disposals	Impairment loss	Balance, end of year
Mmamabula	160,907,775	8,627,985	-	-	169,535,760

  

2009	Balance, beginning of year	Additions	Disposals	Impairment loss	Balance, end of year
Mmamabula	121,435,029	39,472,746	-	-	160,907,775

The Company indirectly holds three prospecting licences in the greater Mmamabula coalfield in south-eastern Botswana. The Mmamabula coalfield forms the western extension of South Africa's Waterberg coalfield. No operating mines have been established to date within the Mmamabula coalfield.

**13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

<i>(all amounts in \$)</i>	<b>2010</b>	<b>2009</b>
Accounts and other payables	4,401,759	4,124,676
Operating lease accrual	214,452	118,992
Legal costs	-	717,325
	<u>4,616,211</u>	<u>4,960,993</u>

**14. REHABILITATION PROVISION**

<i>(all amounts in \$)</i>	<b>Balance, beginning of year</b>	<b>Provision raised</b>	<b>Utilised</b>	<b>Balance, end of year</b>
<b>2010</b>				
Rehabilitation provision	1,325,665	-	(883,785)	441,880
<b>2009</b>				
Rehabilitation provision	1,659,520	-	(333,855)	1,325,665

**Mmamabula Energy Project - Botswana**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended November 30, 2010 and 2009.

**15. SHAREHOLDERS' EQUITY**

The following table outlines the continuity of shareholders' equity for the years ended November 30, 2010 and 2009:

	Capital stock		Warrants		Stock options	Contributed surplus	Deficit	Total shareholders' equity
	#	\$	#	\$	\$	\$	\$	\$
Balance at November 30, 2008	52,782,469	220,198,812	1,750,000	3,938,009	13,436,489	7,033,587	(35,525,828)	209,081,069
Repurchase of shares (15a(i))	(208,500)	(378,785)	-	-	-	-	-	(378,785)
Stock-based compensation (15c)	-	-	-	1,158,256	1,620,650	-	-	2,778,906
Stock options cancelled / lapsed (a)(b)	-	-	-	-	(6,741,327)	6,741,327	-	-
Warrants cancelled / lapsed	-	-	(1,750,000)	(5,096,265)	-	5,096,265	-	-
Net loss for the period	-	-	-	-	-	-	(5,655,181)	(5,655,181)
Balance at November 30, 2009	52,573,969	219,820,027	-	-	8,315,812	18,871,179	(41,181,009)	205,826,009
Stock-based compensation (15c)	-	-	-	-	2,203,893	-	-	2,203,893
Stock options cancelled / lapsed (a)(b)	-	-	-	-	(4,979,540)	4,979,540	-	-
Net loss for the period	-	-	-	-	-	-	(11,179,777)	(11,179,777)
Balance at November 30, 2010	52,573,969	219,820,027	-	-	5,540,165	23,850,719	(52,360,786)	196,850,125

(a) 2,890,000 (2009: 800,000) options were issued during the year.

(b) 1,492,500 (2009: 2,653,500) options were cancelled during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended November 30, 2010 and 2009.

(a) Capital stock

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

(i) CIC Energy purchased 208,500 of its common shares with a value of \$378,785 in the year ended November 30, 2009 in the open market through a normal course issuer bid approved by the Board of Directors and the Toronto Stock Exchange. All shares purchased by the company were subsequently cancelled.

(b) Warrants

The Group implemented a defined cash bonus program (the "DCBP"), pursuant to which the holders of certain of the share options and warrants were given the option to accept a defined cash bonus, payable upon the occurrence of certain vesting events (one of which is the achievement of Financial Close), in exchange for agreeing to the acceleration of such share options and/or warrants. The acceleration for those that accepted the DCBP was made effective on June 17, 2009. Implementation of the DCBP during June 2009 resulted in the cancellation of all outstanding warrants. Therefore, as at November 30, 2010 and 2009, no brokers' warrants were outstanding.

(c) Options

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

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

2010		
Risk-free interest rate		2.32%
Dividend yield		0%
Volatility factor of the expected market price of the Group's shares		86.65%
Average expected option life (years)		4
Weighted-average grant date fair value of options granted during the year		\$0.83
2009		
Risk-free interest rate		3.99%
Dividend yield		0%
Volatility factor of the expected market price of the Group's shares		39.27%
Average expected option life (years)		4
Weighted-average grant date fair value of options granted during the year		\$3.79

Effective date	Options	Weighted average exercise price
<b>Balance November 30, 2008</b>	<b>4,981,000</b>	<b>\$10.68</b>
Cancelled in terms of DCBP	(2,653,500)	\$6.90
Issued- August 6, 2009	600,000	\$4.00
Issued- August 28, 2009	200,000	\$2.06
<b>Balance November 30, 2009</b>	<b>3,127,500</b>	<b>\$7.50</b>
Cancelled in terms of DCBP	(1,492,500)	\$3.20
Issued- December 16, 2009	810,000	\$2.00
Issued- January 12, 2010	1,315,000	\$2.00
Issued- June 2, 2010	765,000	\$2.00
<b>Balance November 30, 2010</b>	<b>4,525,000</b>	<b>\$3.46</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended November 30, 2010 and 2009.

Of the above options, the following options have vested and are exercisable at November 30, 2010:

Issued April 17, 2006	745,000
Issued July 26, 2006	290,000
Issued August 6, 2009	600,000
Issued December 16, 2009	405,000
Issued January 12, 2010	784,166
Issued June 2, 2010	<u>382,500</u>
	<u>3,206,666</u>

The stock options outstanding at November 30, 2010 expire as follows:

Expiry date	Weighted average exercise price	Number of options
April 17, 2014	\$6.90	745,000
July 26, 2014	\$8.00	290,000
August 6, 2017	\$4.00	600,000
December 16, 2017	\$2.00	810,000
January 12, 2018	\$2.00	1,315,000
June 2, 2018	\$2.00	<u>765,000</u>
<b>Total</b>		<b><u>4,525,000</u></b>

The total stock compensation recognised for the year ended November 30, 2010 amounted to \$2,203,893 (2009: \$2,778,906). Stock-based compensation recognised in the statement of operations is \$1,336,053 (2009: \$1,055,333) and a further \$867,840 (2009: \$1,723,573) was capitalised to exploration properties. No stock-based compensation was recorded under office and general expenses (2009: \$ nil).

(d) Stock-based compensation

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

<i>(all amounts in \$)</i>	2010	2009
Share options and warrants	1,336,053	1,055,333

## 16. INCOME TAXES

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

<i>(all amounts in \$)</i>	2010	2009
<b>Current tax expense</b>		
	%	
BVI	0%	-
South Africa	28%	284,334
Botswana	25%	30,960
Mauritius	15%	3,834
		<u>319,128</u>
		<u>218,109</u>

<i>(all amounts in \$)</i>	2010	2009
<b>Reconciliation of effective tax rate</b>		
Loss before tax	(10,860,649)	(5,437,072)
Tax rate BVI 0% (2008: 0%)	-	-
Effect of foreign jurisdictions 3% (2009: 4%)	319,128	218,109
Effective tax rate 3% (2009: 4%)	<u>319,128</u>	<u>218,109</u>

The current tax expense relates to taxable income in the following wholly owned subsidiaries:

<i>(all amounts in \$)</i>	2010	2009
<b>Subsidiary</b>		
CIC Energy (Botswana) (Pty) Ltd	25,313	13,390
CIC Energy (SA) (Pty) Ltd	284,334	204,719
Meepong Resources (Pty) Ltd	5,647	-
Meepong Energy (Mauritius) (Pty) Ltd	1,917	-
Meepong Resources (Mauritius) (Pty) Ltd	1,917	-
	<u>319,128</u>	<u>218,109</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended November 30, 2010 and 2009.

(b) The tax basis of the Group's Botswana and South African assets converted at year-end exchange rates results in a temporary difference, whereby the translated tax base is different than the Group's carrying value for accounting purposes. The tax effect of this temporary difference has not been recognised as a deferred tax asset because future taxable income is uncertain due to the risks associated with exploration ventures. These losses do not have expiry dates. The Group has an unrecognised assessed loss of \$157,630,456 (2009: \$149,870,311).

Deferred tax assets can be summarised as follows:

<i>(all amounts in \$)</i>	2010	2009
Deductible temporary differences	23,644,568	22,480,547
Valuation allowance	<u>(23,644,568)</u>	<u>(22,480,547)</u>
	-	-

Deductible temporary allowances consist of capitalised expenditure allowable for tax.

#### 17. RELATED PARTY TRANSACTIONS

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

<i>(all amounts in \$)</i>	2010	2009
Administrative services <sup>1</sup>	600,000	345,811

##### 1. Tau Capital Corp.

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

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

##### *Mendi Msimang*

On September 2, 2009, CIC Energy (SA) (Pty) Limited ("CIC Energy (SA)"), a wholly owned subsidiary of the Company that performs project development activities on behalf of the Company in South Africa, entered into a consulting agreement (the "Consulting Agreement") with Mendi Msimang, who was appointed a director of the Company on August 28, 2009. The Consulting Agreement had a term of twelve months, subject to extension by the agreement of the parties. Under the terms of the Consulting Agreement, the Company paid a monthly consulting fee to Mr. Msimang of 50,000 Rand and reimbursed Mr. Msimang for third party costs incurred by Mr. Msimang in the performance of the services under the Consulting Agreement on behalf of CIC Energy (SA). On April 15, 2010, Mr. Msimang resigned as a director of the Company and the Consulting Agreement was terminated by mutual consent.

##### *Moxirex (Proprietary) Limited*

Pursuant to a share warrant agreement (the "Warrant Agreement") dated April 9, 2010 between the Company and Moxirex (Proprietary) Limited ("Moxirex"), a company controlled by Robert Gumede, a director of the Company, the Company has agreed to issue to Moxirex 13,061,448 Common Share purchase warrants (the "Warrants"), each Warrant being exercisable to purchase one Common Share at a price of \$1.75 for a term of three years after the date of issue, in consideration for Moxirex rendering consultancy services to the Company, primarily in respect of the regulatory approval

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For the years ended November 30, 2010 and 2009.

process in South Africa for the Mmamabula Energy Project. The Warrants are subject to vesting upon the achievement of certain specified milestones, which are also primarily related to the regulatory approval, development and financing of the Mmamabula Energy Project.

In the event that the Company issues additional Common Shares (the "Additional Shares") within 12 months of April 9, 2010, the Company will, subject to regulatory approval, issue additional Common Share purchase warrants to Moxirex (the "Additional Warrants"), each such Additional Warrant being exercisable to purchase one Common Share at the price at which such Additional Shares were issued, so as to result in an entitlement to purchase such number of Common Shares as constitutes in the aggregate 19.9% of the Additional Shares so issued, provided that the maximum number of Additional Warrants that will be issued will not exceed 2 million in the aggregate, notwithstanding how many additional Common Shares may be issued by the Company from time to time during such 12 month period. At November 30, 2010, none of the vesting conditions have been met and therefore no warrants had been accounted for.

#### 18. INTEREST RECEIVED

<i>(all amounts in \$)</i>	2010	2009
Interest received from financial institutions and deposits	190,097	1,063,563
	190,097	1,063,563

#### 19. INTEREST PAID

<i>(all amounts in \$)</i>	2010	2009
Interest on payment of taxation	23,852	-
	23,852	-

#### 20. PERSONNEL EXPENSES

<i>(all amounts in \$)</i>	2010	2009
Wages and salaries	2,980,651	1,392,595
Stock-based compensation	1,336,053	1,055,333
	4,316,704	2,447,928

#### 21. OFFICE AND GENERAL EXPENSES

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

<i>(all amounts in \$)</i>	2010	2009
Audit remuneration	188,023	151,645
Legal fees	566,651	429,492
Travel and accommodation – Local	354,738	443,666
Travel and accommodation – Overseas	762,563	408,145
General expenses	2,330,392	2,761,250
	4,202,367	4,194,198

#### 22. BASIC AND DILUTED LOSS PER SHARE

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

<i>(all amounts in \$)</i>	2010	2009
Numerator – Basic and Diluted Net loss	(11,179,777)	(5,655,181)
Denominator - Basic and Diluted Weighted average number of shares	52,573,969	52,600,550
<b>Basic and diluted loss per share</b>	<b>\$(0.21)</b>	<b>\$(0.11)</b>

4,525,000 (2009: 3,127,500) share options have been excluded in the calculation as their exercise would be anti-dilutive.

#### 23. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Change in non-cash working capital

<i>(all amounts in \$)</i>	2010	2009
Other receivables	180,951	570,401
Deposits	8,104	14,127
Prepayments	127,172	(486,244)
Accounts payable and accrued liabilities	(344,782)	230,802
Change in non-cash working capital	(28,555)	329,086

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended November 30, 2010 and 2009.

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

<i>(all amounts in \$)</i>	2010	2009
Exploration properties	867,840	1,723,573

The non-cash movements in exploration properties for 2010 and 2009 relate to stock-based compensation costs capitalised.

(c) Supplementary cash flow disclosure

(i) Interest received

<i>(all amounts in \$)</i>	2010	2009
Interest received	190,097	1,063,563

(ii) Interest paid

<i>(all amounts in \$)</i>	2010	2009
Interest on payment of income taxation	23,852	-

(iii) Income tax paid

*(all amounts in \$)*

Balance at December 1, 2008	(335,732)
Current tax recognised for the period	(218,109)
Balance at November 30, 2009	<u>(99,540)</u>
	<u>(653,381)</u>
Balance at December 1, 2009	99,540
Current tax recognised for the period	(319,128)
Balance at November 30, 2010	<u>1,629</u>
	<u>(217,959)</u>

## 24. COMMITMENTS

(a) Operating lease commitments  
CIC Energy (South Africa) (Proprietary) Limited has future operating lease commitments for equipment and buildings amounting to \$3.61 million ending November 30, 2016. Annual payments are:

	\$
2011	577,993
2012	631,190
2013	689,299
2014	752,776
2015	822,119
2016	<u>138,974</u>
	<u>3,612,351</u>

CIC Energy (Botswana) (Proprietary) Limited has future operating lease commitments for buildings amounting to \$ 20,946 ending May 31, 2011.

## 25. SEGMENT REPORTING

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

## 26. CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of contractual commitments to past and current advisors on the project. These contingencies depend on project milestones including the conclusion of a power purchase agreement and financial close of the project. The aggregate of these contingent liabilities is an amount of \$34.8 million (2009: \$38.7 million), most of which are likely to be capitalised when incurred.

## 27. SUBSEQUENT EVENTS

No subsequent events were identified.

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

**Directors**

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

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TSX symbol: ELC

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