



**Interim Consolidated Financial Statements  
for the three and nine months ended August 31, 2010 and 2009  
(Expressed in Canadian Dollars)**

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## **Directors' Report**

**For the nine months ended August 31, 2010.**

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

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

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

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

### **2. Dividends**

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

CIC Energy Corp.  
**Consolidated Balance Sheets**  
**At August 31, 2010 and November 30, 2009**

	Note	August 31, 2010 (unaudited) \$	November 30, 2009 (audited) \$
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		30,286,638	42,467,970
Current taxation receivable		-	99,540
Other receivables		268,272	362,159
Deposits		23,786	32,506
Prepayments		129,747	752,318
		<u>30,708,443</u>	<u>43,714,493</u>
Non-current assets:			
Property, plant and equipment		851,106	1,840,959
Coal-to-Hydrocarbons project		3,932,819	3,932,819
Mine infrastructure		1,716,621	1,716,621
Exploration properties		168,210,850	160,907,775
		<u>174,711,396</u>	<u>168,398,174</u>
		<u>205,419,839</u>	<u>212,112,667</u>
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities		3,170,244	4,960,993
Current taxation payable		186,062	-
Rehabilitation provision		1,279,870	1,325,665
		<u>4,636,176</u>	<u>6,286,658</u>
Capital stock	4	219,820,027	219,820,027
Stock options	4	6,123,912	8,315,812
Contributed surplus	4	22,995,839	18,871,179
Retained deficit	4	(48,156,115)	(41,181,009)
<b>Shareholders' equity</b>	4	<u>200,783,663</u>	<u>205,826,009</u>
		<u>205,419,839</u>	<u>212,112,667</u>
Going concern	1		
Commitments	7		
Contingent liabilities	8		
Subsequent events	9		

See accompanying notes to these interim financial statements.

CIC Energy Corp.  
**Consolidated Statements of Operations**  
**For the three and nine months ended August 31, 2010 and 2009**  
(unaudited)

		<b>Three months ended</b>		<b>Nine months ended</b>	
		<b>August 31,</b>	<b>August 31,</b>	<b>August 31,</b>	<b>August 31,</b>
		<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	Note	\$	\$	\$	\$
<b>Other income</b>					
Interest received		3,152	143,975	50,335	1,415,943
Profit on foreign exchange		833,324	-	459,165	986,939
Personnel expenses recovered		-	132,015	-	-
		<u>836,476</u>	<u>275,990</u>	<u>509,500</u>	<u>2,402,882</u>
<b>Corporate and exploration expenses</b>					
Office and general expenses		(644,572)	(1,630,111)	(2,762,028)	(4,534,168)
Stock-based compensation		(509,190)	(558,805)	(1,171,690)	(920,120)
Personnel expenses		(400,088)	-	(1,750,380)	(1,071,149)
Operating lease expenses		(153,889)	(182,429)	(529,571)	(571,344)
Management fees paid		(150,000)	(76,843)	(450,000)	(245,779)
Depreciation		(67,106)	(36,622)	(201,274)	(135,501)
Listing subscription		(38,965)	-	(48,560)	(82,525)
Loss on foreign exchange		-	(1,094,830)	-	-
Loss on disposal of assets		(251,894)	-	(251,894)	-
		<u>(2,215,704)</u>	<u>(3,579,640)</u>	<u>(7,165,397)</u>	<u>(7,560,586)</u>
Net loss before income taxes		<u>(1,379,228)</u>	<u>(3,303,650)</u>	<u>(6,655,897)</u>	<u>(5,157,704)</u>
Income taxes		(128,887)	-	(319,209)	(112,000)
Net loss for the period		<u>(1,508,115)</u>	<u>(3,303,650)</u>	<u>(6,975,106)</u>	<u>(5,269,704)</u>
<b>Basic and diluted loss per common share for the period</b>	5	<b>\$(0.03)</b>	<b>\$(0.06)</b>	<b>\$(0.13)</b>	<b>\$(0.10)</b>
<b>Basic and diluted weighted average number of common shares outstanding</b>	5	<b>52,573,969</b>	<b>52,609,410</b>	<b>52,573,969</b>	<b>52,609,410</b>

See accompanying notes to these interim financial statements.

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**CIC Energy Corp.**  
**Consolidated Statements of Comprehensive Loss and Retained Deficit**  
**For the three and nine months ended August 31, 2010 and 2009**  
(unaudited)

		<b>Three months ended</b>		<b>Nine months ended</b>	
		<b>August 31,</b>	<b>August 31,</b>	<b>August 31,</b>	<b>August 31,</b>
		<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	Note	\$	\$	\$	\$
<b>Comprehensive Income</b>					
Net loss for the period		(1,508,115)	(3,303,650)	(6,975,106)	(5,269,704)
Other comprehensive income, net of tax		-	-	-	-
Comprehensive loss		<u>(1,508,115)</u>	<u>(3,303,650)</u>	<u>(6,975,106)</u>	<u>(5,269,704)</u>
<b>Retained Deficit</b>					
Retained deficit, beginning of the period		(46,648,000)	(37,495,887)	(41,181,009)	(35,525,828)
Net loss for the period		(1,508,115)	(3,303,650)	(6,975,106)	(5,269,704)
Share issue costs		-	-	-	(4,005)
Retained deficit, end of the period	4	<u>(48,156,115)</u>	<u>(40,799,537)</u>	<u>(48,156,115)</u>	<u>(40,799,537)</u>

*See accompanying notes to these interim financial statements.*

CIC Energy Corp.  
**Consolidated Statements of Cash Flows**  
**For the three and nine months ended August 31, 2010 and 2009**  
(unaudited)

		<b>Three months ended</b>		<b>Nine months ended</b>	
		<b>August 31,</b>	August 31,	<b>August 31,</b>	August 31,
		<b>2010</b>	2009	<b>2010</b>	2009
Note	\$	\$	\$	\$	
<b>Cash flows from operating activities</b>					
		<b>(1,382,380)</b>	(3,447,625)	<b>(6,706,232)</b>	(6,573,647)
		Net loss before interest and tax			
		Items not affecting cash:			
		<b>(833,324)</b>	1,094,830	<b>(459,165)</b>	(986,939)
		Unrealised foreign exchange (gain) / loss			
		<b>251,894</b>	-	<b>251,894</b>	-
		Loss on disposal of assets			
		<b>67,106</b>	36,622	<b>201,274</b>	135,501
		Depreciation			
		<b>509,190</b>	558,805	<b>1,171,690</b>	920,120
		Stock-based compensation			
		<b>14,693</b>	(21,921)	<b>(45,795)</b>	47,244
		Environmental provision raised / (utilised)			
		<b>(1,352,139)</b>	(2,686,838)	<b>(1,591,428)</b>	(1,920,060)
		Changes in non-cash working capital			
		<b>3,152</b>	143,975	<b>50,335</b>	1,415,943
		Interest received			
		<b>7,208</b>	(115,209)	<b>(33,607)</b>	(410,038)
		Income tax received / (paid)			
		<b>(2,714,600)</b>	(4,437,361)	<b>(7,161,034)</b>	(7,371,876)
		<b>Net cash flow used in operating activities</b>			
<b>Cash flows from investing activities</b>					
		<b>(19,263)</b>	(8,798)	<b>(51,505)</b>	(246,736)
		Additions to property, plant and equipment			
		<b>1,114,047</b>	-	<b>1,114,047</b>	-
		Proceeds from disposal of property, plant and equipment			
		-	-	-	(125,138)
		Mine infrastructure			
		<b>(89,059)</b>	(8,924,692)	<b>(6,082,840)</b>	(26,324,566)
		Exploration properties expenditure			
		<b>1,005,725</b>	(8,933,490)	<b>(5,020,298)</b>	(26,696,440)
		<b>Net cash flow used in investing activities</b>			
<b>Cash flows from financing activities</b>					
	4	-	-	-	(378,784)
		Repurchase of shares			
		-	-	-	(378,784)
		<b>Net cash flow used in financing activities</b>			
		<b>(1,708,875)</b>	(13,370,851)	<b>(12,181,332)</b>	(34,447,100)
		<b>Decrease in cash and cash equivalents</b>			
		<b>31,995,513</b>	64,744,074	<b>42,467,970</b>	85,820,323
		Cash and cash equivalents, beginning of the period			
		<b>30,286,638</b>	51,373,223	<b>30,286,638</b>	51,373,223
		<b>Cash and cash equivalents, end of the period</b>			

See accompanying notes to these interim financial statements.

## 1. GOING CONCERN

As part of the process of preparing the financial statements for the fiscal quarter ended August 31, 2010, management considered whether CIC Energy Corp. remains a going concern. Management's view is that CIC Energy Corp. is a Going Concern for the following reasons:

As of August 31, 2010, the Company had cash and cash equivalents of approximately \$30.2 million. This amount is considered to be adequate to fund the Company's ongoing personnel, office, lease and general expenses and committed third party costs through to at least August 31, 2011, budgeted to be approximately \$14 million. This would leave the cash balance as of August 31, 2011 after the payment of committed costs of approximately \$16.2 million (ignoring changes in working capital).

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

A Shareholders' Agreement in relation to the MDPP was executed on 26 August 2010, pursuant to which CIC International (Barbados) Corp., a wholly owned subsidiary of the Company, has committed to making equity contributions in relation to the MDPP. As the obligation to pay these equity contribution amounts will only arise upon satisfaction of certain milestones as set out in the Shareholders' Agreement, these amounts are not reflected in the committed third party costs referred to above. Based on the Company's current expectations regarding the timetable for achieving the relevant milestones, the Company anticipates that the aggregate equity contributions in relation to the MDPP to be made prior to August 31, 2011 will be approximately US\$11 million.

### Mmamabula Energy Project ("MEP")

As a result of the Company's decision to defer project development activities for the MEP until such time as South Africa's second integrated resource plan ("IRP2010") 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 funding obligations in relation to the MDPP described above, the Company will be required to raise additional funding prior to

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

### Other Projects

The Company does not anticipate incurring material development costs prior to **August 31, 2011** on its other project development activities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **(a) Basis of presentation**

These interim consolidated financial statements of the Group do not include all the disclosures as required under Canadian generally accepted accounting principles for annual financial statements; however, the quarterly financial statements follow the same accounting policies and methods of application as the most recent annual financial statements. The interim financial statements should be read in conjunction with CIC Energy Corp.'s audited financial statements for the year ended November 30, 2009. The consolidated financial statements have been prepared on a historical cost basis.

### **(b) Basis of consolidation**

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

### **(c) Translation of foreign currencies**

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

### 3. FUTURE ACCOUNTING POLICIES

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

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

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

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

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

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

#### **(c) Section 3251, Equity.**

CICA Section 3251, Equity, has been amended as a result of issuing CICA Section 1602. Amendments apply to entities that have adopted

CICA Section 1602. The Standard will be effective for fiscal years beginning on or after January 1, 2011. The Group is in the process of evaluating the requirements of the new standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the three and nine months ended August 31, 2010 and 2009.

**4. SHAREHOLDERS' EQUITY**

The following table outlines the continuity of shareholders' equity for the nine months ended August 31, 2010:

	Capital stock		Warrants		Stock options	Contributed surplus	Retained deficit	Total shareholders' equity
	#	\$	#	\$	\$	\$	\$	\$
Balance at November 30, 2008	52,782,469	220,198,812	1,750,000	3,938,009	13,436,489	7,033,587	(35,525,828)	209,081,069
Repurchase of shares	(208,500)	(378,785)	-	-	-	-	-	(378,785)
Stock-based compensation	-	-	-	1,158,256	1,620,650	-	-	2,778,906
Stock options cancelled / lapsed	-	-	-	-	(6,741,327)	6,741,327	-	-
Warrants cancelled / lapsed	-	-	(1,750,000)	(5,096,265)	-	5,096,265	-	-
Net loss for the period	-	-	-	-	-	-	(5,655,181)	(5,655,181)
Balance at November 30, 2009	52,573,969	219,820,027	-	-	8,315,812	18,871,179	(41,181,009)	205,826,009
Stock-based compensation (a)	-	-	-	-	1,932,760	-	-	1,932,760
Stock options cancelled / lapsed (b)	-	-	-	-	(4,124,660)	4,124,660	-	-
Net loss for the period	-	-	-	-	-	-	(6,975,106)	(6,975,106)
Balance at August 31, 2010	52,573,969	219,820,027	-	-	6,123,912	22,995,839	(48,156,115)	200,783,663

(a) 765 000 options were issued during the third quarter.

(b) 847 500 options were cancelled during the third quarter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the three and nine months ended August 31, 2010 and 2009.

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

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

<i>(all amounts in \$)</i>	<b>August 31, 2010</b>	<b>August 31, 2009</b>
Numerator:		
Loss attributable to common shareholders		
- basic and diluted	<b>(6,975,106)</b>	(5,269,704)
Denominator:		
Weighted average number of common shares outstanding		
- basic and diluted	<b>52,573,969</b>	52,609,410
<b>Basic and diluted (loss) / profit per common share</b>	<b>\$(0.13)</b>	\$(0.10)

4,685,000 (November 30, 2009: 3,127,500) share options have been excluded in the calculation as their exercise would be anti-dilutive.

**6. RELATED PARTY TRANSACTIONS**

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

*Moxirex (Proprietary) Limited*

Pursuant to a share warrant agreement (the "Warrant Agreement") dated April 9, 2010 between the Company and Moxirex (Proprietary) Limited ("Moxirex"), a company controlled by Robert Gumede, a director of the Company, the Company has agreed to issue to Moxirex 13,061,448 Common Share purchase warrants (the "Warrants"), each Warrant being exercisable to purchase one Common Share at a price of \$1.75 for a term of three years after the date of issue, in consideration for Moxirex rendering consultancy services to the Company, primarily in respect of the regulatory approval process in South Africa for the Mmamabula Energy Project. The Warrants are subject to vesting upon the achievement of certain specified milestones, which are also primarily related to the regulatory approval, development and financing of the Mmamabula Energy Project.

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.

## 7. COMMITMENTS

### (a) Operating lease commitments

CIC Energy (South Africa) (Proprietary) Limited has future operating lease commitments for equipment and buildings amounting to \$3.7 million ending November 30, 2016. Annual payments are:

	\$
2010	132,482
2011	581,453
2012	634,981
2013	693,451
2014	757,323
2015	827,097
2016	<u>139,815</u>
	<u>3,766,602</u>

CIC Energy (Botswana) (Proprietary) Limited has operating lease commitments for buildings amounting to \$31,847 ending May 31, 2011.

## 8. CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of contractual commitments to past and current advisors on the project. These contingencies depend on project milestones, including the conclusion of a power purchase agreement and financial close of the project. The aggregate of these contingent liabilities is an amount of \$40.3 million (November 30, 2009: \$38.7 million), most of which are likely to be capitalised when incurred. In order to fund the contingent obligations, the Group would be required to raise additional funding.

## 9. SUBSEQUENT EVENTS

No subsequent events were identified.

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

**Directors**

Adrian Meyer  
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Len Konar  
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Warren Newfield – Chairman

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**CIC Energy Corp.**

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TSX symbol: ELC  
BSE Name: CIC ENERGY

Listed in Standard & Poor's Corporation Records  
CUSIP: G2136R