



CIC ENERGY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended August 31, 2011

Dated: October 11, 2011

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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 and nine months ended August 31, 2011.

Additional information relating to CIC Energy, including the Company's Annual Information Form for the year ended November 30, 2010, has been filed on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and may be accessed at www.sedar.com.

The discussion and analysis of the financial status of CIC Energy for the three and nine months ended August 31, 2011 should be read in conjunction with the consolidated financial statements and related notes for CIC Energy and its wholly-owned subsidiaries for the three and nine months ended August 31, 2011, 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 and nine months ended August 31, 2011 has not been audited. Unless otherwise indicated, all funds in this MD&A are in Canadian dollars.

2. Overall Performance

Project Development

CIC Energy is a single business company that has been 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) an export coal project (the "**Export Coal Project**"), (ii) one or more mine-mouth coal fired thermal power station projects, (the "**Power Projects**"), and (iii) a coal gasification and hydrocarbon production project (the "**CTH Project**"), each of which is described in greater detail below. These projects are planned to be developed on the basis of two greenfield coal properties located in the Mmamabula coalfield in south-eastern Botswana. The Power Projects were the original focus of the Company, and as a result the Company has expended significantly more capital on the development of the Power Projects than on either the CTH Project or the Export Coal Project; however, the Company is not currently incurring significant expenses in relation to any of the projects, pending the outcome of the process currently underway in relation to the possible acquisition of the Company. Please see "*Acquisition of the Company*" below for further details.

Based on the Company's understanding of the contents of the Integrated Resource Plan for Electricity 2010 - 2030 that was published by the South Africa Department of Energy on May 6, 2011 (known as the "**IRP2010**"), a total of 1,000 MW of capacity is anticipated to be put into service by industrial customers (primarily for their own use) utilising coal as the fuel source, with supply to commence between 2014 and 2019. A further 1,750 MW of power utilising coal as the fuel source is anticipated to be procured for supply between 2019 and 2025, and thereafter a further 3,500 MW is anticipated to be procured for supply between 2026 and 2030, for a total of 6,250 MW of coal fired power procurement during the period of the IRP2010. For the purposes of the IRP2010, there is no distinction made between coal fired power produced in Botswana and coal fired power produced in South Africa, so the Company could seek to supply the coal fired power contemplated for 2019 and beyond.

As South Africa is the dominant player in the electricity market in southern Africa, the relatively small quantity of coal fired power anticipated to be procured during the period of the IRP2010 is expected to limit the opportunity to develop coal fired power in southern Africa. Furthermore, as there will be other potential independent power producers ("IPPs") located in South Africa and Botswana that will be seeking to supply this market, and as the IRP2010 contemplates relatively small incremental units being put into production (typically 250 MW), the quantity of on-site power generation that can be developed at the Mmamabula Energy Complex is likely to be less than originally expected when the Company began development of the Power Projects. In addition, the coal resources that have been delineated are greater than the Company anticipates could be used in the development of the Power Projects.

A shift in the global market for thermal coal has also occurred, and although coal is not considered to be a long term source of fuel for power generation, forecasts of coal consumption suggest that the volume of seaborne traded steam coal will continue to grow, in particular for supply to India. Botswana generally has a relatively poor quality of raw coal when compared to the coal that is available from other sources (in particular Australia, Indonesia and Colombia), and as a consequence Botswana coal needs to be beneficiated in order to meet the requirements for export markets. The Indian market, however, accepts a lower quality of coal than the European market, with the result that there is a greater opportunity for Botswana coal to supply the Indian market than would be the case for the European market.

As a result, the Company undertook an assessment of the possibility to vary the preferred coal products so as to maximise the seaborne traded thermal coal suitable for the Indian market, while still consuming a reduced quantity of coal in on-site power stations so as not to have an imbalance in the product mix. This assessment indicated that it would be possible to materially increase the coal quantities that could be allocated to the Export Coal Project under this scenario, which would result in a reduction in the coal quantities that would be allocated to the Power Projects.

While no decisions have yet been made on the preferred coal products, the Company considers the Export Coal Project to be the primary long-term market that can accommodate the volume of coal capable of production at the Mmamabula Energy Complex, with the Power Projects and the CTH Project as secondary markets. Please see *Section 3: Results of Operations* below for further details.

Acquisition of the Company

In a news release dated November 23, 2010, the Company announced that it had entered into a binding agreement with JSW Energy Limited ("**JSW**"), a power company listed on the National Stock Exchange of India and the Bombay Stock Exchange, whereby subject to the satisfaction of certain conditions precedent, JSW agreed to offer to acquire 100% of the issued and outstanding shares of the Company, including shares issuable pursuant to the exercise of outstanding options, for CDN\$7.42 per share pursuant to a formal take-over bid.

In a news release dated December 16, 2010, the Company announced that it had entered into a supplementary agreement with JSW, pursuant to which CIC Energy agreed to support a merger of CIC Energy with JSW Energy Natural Resources (BVI) Limited ("**JSWBVI**"), a wholly-owned subsidiary of JSW, with JSWBVI being the surviving entity (the "**Merger**"). Upon the completion of the Merger, which would also be subject to certain conditions precedent, the shareholders of the outstanding shares of CIC Energy, including any shares issued pursuant to the exercise of outstanding options, would receive CDN\$7.42 per share.

In a news release dated May 31, 2011, the Company announced that its board of directors had approved the termination by the Company of the agreements with JSW, as the Company believes shareholder interests will be better served by pursuing an alternative transaction. A notice of termination was sent to JSW on June 1, 2011.

The Company and its advisors are currently engaged in discussions with other prospective acquirers. There can be no assurances that these discussions will result in a definitive agreement to acquire the Company.

Financial Performance

The loss for the three months ended August 31, 2011 was \$2.6 million compared to a loss of \$1.5 million for the same period in the previous year. This was primarily due to increased human resources costs associated with staff retrenchments during the third quarter, as well as extraordinary consulting fees with regard to the proposed transaction with JSW.

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 August 31, 2012. The Company is not currently incurring significant expenditures in respect of any of project development activities. 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 August 31, 2011 (reviewed)	Three months ended August 31, 2010 (reviewed)	Nine months ended August 31, 2011 (reviewed)	Nine months ended August 31, 2010 (reviewed)	Year ended November 30, 2010 (audited)
Interest received	11	3	126	50	190
(Loss)/profit on foreign exchange	610	833	383	459	(601)
Total income	621	836	509	509	(410)
Office and general expenses	916	644	3,433	2,762	4,202
Personnel expenses	1,648	400	4,404	1,750	2,981
Stock based compensation	51	509	232	1,172	1,336
Impairment	-	-	8,125	-	-
Other expenses	323	662	1,184	1,481	1,931
Income taxes	289	129	434	319	319
(Net loss)	(2,606)	(1,508)	(17,303)	(6,975)	(11,179)

The loss for the three months ended August 31, 2011 was \$2.6 million compared to a loss of \$1.5 million for the same period in the previous year. This was primarily due to increased human resources costs associated with staff retrenchments during the third quarter, as well as extraordinary consulting fees with regard to the proposed transaction with JSW.

The loss for the nine months ended August 31, 2011 was \$17.3 million compared to a loss of \$7.0 million for the same period in the previous year. This was primarily due to the costs referred to above, as well as the impairment of certain capitalised costs incurred in the three months ended May 31, 2011.

Exploration Properties

The Company indirectly holds one prospecting licence 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 prospecting licence is designated as 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**". The Company previously indirectly held another prospecting licence designated as 75/2002, which is referred to in this MD&A as "**Mmamabula South**". The prospecting licence for Mmamabula South expired on March 31, 2011 following the denial by the Government of Botswana of the Company's application for a discretionary renewal thereof.

Mmamabula East 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 Mmamabula East area. CIC Energy has substantially completed exploration of Mmamabula East and has conducted extensive geological analyses of Mmamabula East in order to define coal resources which will be suitable for the Export Coal Project, the Power Projects and the CTH 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 Company's export power project (known as the "**Mmamabula Energy Project**" or "**MEP**"), 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 contained the coal resources identified for use for the Mmamabula Energy Project, and 11/2004, which contained 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 (Botswana)**"), 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.

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.

On November 17, 2010 CIC Resources (Botswana) submitted to the Government of Botswana an application for renewal of prospecting licence 11/2004, without relinquishment of any of the remaining licence area. Pursuant to the terms of the Act, a renewal in this case may be done without relinquishment of area at the discretion of the Minister of Minerals, Energy and Water Resources.

On March 31, 2011 the Company announced that the Government of Botswana had issued a renewal of prospecting licence 11/2004 for a period of two years commencing on April 1, 2011 and ending on March 31, 2013.

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

Mmamabula South

Prospecting licence 75/2002 expired on March 31, 2011 following the denial by the Government of Botswana of the Company's application for a discretionary renewal thereof.

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

Mineral Resource Estimates

CIC Energy announced updated NI 43-101 mineral resource estimates for each of Mmamabula East and Mmamabula South in June 2007. A technical report on each of Mmamabula East and Mmamabula South 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 each of Mmamabula East and Mmamabula South and other relevant information, was filed on SEDAR and may be accessed via the SEDAR website at www.sedar.com.

CIC Energy announced updated NI 43-101 mineral resource estimates for each of Mmamabula East and Mmamabula South in September 2008. A technical report on each of Mmamabula East and Mmamabula South 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 each of Mmamabula East and Mmamabula South and other relevant information, was filed on SEDAR and may be accessed via the SEDAR website at 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.

On March 31, 2011 the Company announced by way of press release a reduction to the mineral resource estimates set out in the press release of August 14, 2009 as a result of the expiration of the prospecting licence for Mmamabula South.

Coal Products

As the drilling program has been substantially completed, the Company has conducted extensive geological modeling and analyses 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 significantly in excess of those that are expected to be required for the Power Projects alone, with the majority of the coal products being expected to be suitable for the Export Coal Project, as well as a portion that is expected to be suitable for the CTH Project. The Company recently undertook an assessment of the possibility to vary the preferred coal products so as to maximise the seaborne traded thermal coal suitable for the Indian market, while still consuming a reduced quantity of coal for the Power Projects so as not to have an imbalance in the product mix.

While no decisions have yet been made on the preferred coal products, the Company considers the Export Coal Project to be the primary long-term market that can accommodate the volume of coal products capable of production at the Mmamabula Energy Complex, with the Power Projects and the CTH Project as secondary markets. Please see *Power Projects* and *Export Coal Project* below for further details

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 constructing new projects to meet their power requirements. The Company believes that, notwithstanding these projects, additional generating capacity in the region will be required in order to meet the anticipated future demands for power and ensure a prudent reserve margin. 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 the Power Projects.

Export Power Project

The Mmamabula Energy Project was intended to provide approximately 1,320 MW (gross) for export to South Africa, subject to, among other things, the successful conclusion of a power purchase agreement (a "**PPA**") and the raising of non-recourse project debt financing.

Changes to Regulatory Framework in South Africa

On December 14, 2009 the Company announced that as a result of delays in the regulatory approval process in South Africa, the Company 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 IRP2010 had been completed.

The South Africa Department of Energy promulgated the IRP2010 on May 6, 2011. Based on the Company's understanding of the contents thereof, there will not be an opportunity for the Company to supply capacity to South Africa prior to 2019, and then only in amounts smaller than envisaged for the Mmamabula Energy Project. As a result, the Company does not intend to resume project development activities in relation to the MEP for the time being.

Licences and Permits

Meepong Resources submitted a mining licence application to the Government of Botswana for the mine for the MEP 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 power station and certain related infrastructure, the transmission lines, and the transport corridor have been approved by the Government of Botswana.

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. The review of this EIA study by the relevant authorities of the Government of Botswana has not yet been completed, pending the resumption of development of the MEP. Approval of this EIA is a prerequisite for the granting of a mining licence, an IPP licence, and surface rights required for the MEP.

Procurement Processes

In a news release of March 23, 2009, the Company announced that an Engineering, Procurement and Construction ("EPC") contract has been signed between Meepong Energy (Proprietary) Limited ("**Meepong Energy**") and Shanghai Electric Group Co., Ltd. ("**SEC**") for the MEP power station. Due to delays resulting from the suspension of project development activities for the MEP, each of SEC and Meepong Energy has a contractual right to terminate the EPC contract on notice to the other party. As of the date of this MD&A, no such notice had been issued by either SEC or Meepong Energy and the the EPC contract remains in force and effect.

The Company is not currently engaged in any procurement processes related to the MEP. Please see *Project Development Timetable* below for further details.

Financing Process and Equity Investment

The Company is not currently engaged in any financing processes or any negotiations regarding equity investments related to the MEP. Please see *Project Development Timetable* below for further details.

Project Development Timetable

Based on the Company's understanding of the contents of the IRP2010 there will not be an opportunity for the Company to supply capacity to South Africa prior to 2019, and then only in amounts smaller than envisaged for the Mmamabula Energy Project. As a result, the Company does not intend to resume project development activities in relation to the MEP for the time being, and 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**") of the MEP may be achieved. Please see *Section 15: Risks* and *Section 17: Cautionary Statement Regarding Forward-Looking Statements* for further details.

Domestic Power Project

The Company's domestic power project is expected to provide approximately 300 MW (gross) for sale to BPC, subject to, among other things, the successful conclusion of a PPA and the raising of non-recourse project debt financing.

Golden Concord Group Limited

In a news release of August 26, 2010, the Company announced the signing of a shareholders' agreement (the "**MDPP Shareholders' Agreement**") in relation to a 300 MW (gross) domestic power project (known as the "**Mookane Domestic Power Project**" or "**MDPP**"). The MDPP Shareholders' Agreement is between CIC International (Barbados) Corp. ("**CIC International**"), a wholly-owned subsidiary of CIC Energy, and GCL (Botswana) Limited ("**GCL Botswana**"), a subsidiary of GCL Projects (Botswana) Limited ("**GCL**"). GCL is an indirect wholly-owned subsidiary of Golden Concord Group Limited ("**Golden Concord**"). CATIDC Power (Pty) Ltd, a subsidiary of the China-Africa Trade & Industry Development Corporation is a minority shareholder of GCL Botswana.

On August 27, 2010, the Company and Golden Concord submitted to BPC and the Government of Botswana a commercial offer in relation to the MDPP (the "**MDPP Commercial Offer**"), including a tariff structure and proposed draft documentation. The MDPP Commercial Offer included a deadline for acceptance, and execution of a PPA, of December 31, 2010, which deadline passed without the execution of a PPA. As a result, new commercial terms and conditions for an alternative commercial offer would need to be negotiated and agreed by the Company and Golden Concord in order to resume development of the MDPP. CIC International also notified GCL that this may require, inter alia, a new site selection, transmission solution and environmental impact assessments.

On February 24, 2011, GCL Botswana filed a Notice of Arbitration in the Hong Kong International Arbitration Centre in relation to the MDPP Shareholders' Agreement (the "**Notice of Arbitration**"), pursuant to which GCL Botswana is seeking a declaration that (i) the MDPP Shareholders' Agreement, and the obligations thereunder of CIC International, continue in force and effect, and (ii) CIC International is obliged to comply with its obligations under the MDPP Shareholders' Agreement.

On March 25, 2011, CIC International filed its Answer to the Notice of Arbitration, in which CIC International has stated inter alia that CIC International agrees that it is obliged to comply with its obligations as set out in the MDPP Shareholders' Agreement, and as a consequence it is CIC International's position that there is no dispute between the parties. It is the Company's view that CIC International has no obligation under the MDPP Shareholders' Agreement to agree to new commercial terms and conditions for an alternative commercial offer, and consequently no obligation to develop a 300 MW domestic power project with GCL Botswana.

On September 5, 2011, CIC International issued to GCL Botswana a notice advising GCL Botswana of CIC International's intention to transfer all of CIC International's interests in the joint venture company established pursuant to the terms of the MDPP Shareholders' Agreement (the "**MDPP JVCo**"). Such notice triggered a right of first refusal of GCL Botswana to acquire all of CIC International's interest in the MDPP JVCo, which right must be exercised on or before October 20, 2011. In the event that GCL Botswana elects to exercise such right of first refusal, the MDPP Shareholders' Agreement shall terminate following the acquisition by GCL Botswana of CIC International's interest in the MDPP JVCo. In the event that GCL Botswana elects not to exercise such right of first refusal, CIC International shall have the right to transfer of all of its interest in the MDPP JVCo to a third party.

The Company is currently considering alternatives for development of the domestic power project; however the Company does not anticipate that a decision regarding these alternatives will be made for so long as the Company and its advisors are engaged in discussions with prospective acquirers of the Company. The Company does not anticipate significant further expenditure on the domestic power project until such a decision has been made.

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 by the Company. A rail line of approximately 1,500 kilometres 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 has signed a non-binding consortium agreement with certain 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 "**Consortium**").

In September 2010, the Government of Botswana and the Government of Namibia published a Request for Expressions of Interest in relation to the development of the Trans Kalahari Railway Line and a port in Namibia. The intention is to shortlist potential developers that have inter alia strong financial capability, relevant railway line and port development technical capabilities, and experience and expertise in railway line and port construction and operations. A total of approximately 30 responses were submitted by interested parties, including a response submitted by the Consortium. Under the terms stated in the Request for Expressions of Interest, the Government of Botswana and the Government of Namibia are to evaluate the submission and select a short list of parties that will be invited to participate in a formal tender process. The Company understands that this evaluation process is ongoing.

The Company does not anticipate significant further expenditure on the Export Coal Project until the process undertaken by the Government of Botswana and the Government of Namibia is 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

The Company recently received responses to a request for proposals that was sent to a group of international companies regarding the production of low sulphur diesel fuel and associated products primarily for the domestic Botswana market utilising clean above ground coal gasification technology and Fischer-Tropsch technology. These responses are currently being evaluated.

The Company does not anticipate significant further expenditure on the CTH Project until the responses to such request for proposals have been evaluated.

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 km². 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 sufficient ground water resources are available to supply 12 million cubic metres 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**"), an indirect wholly-owned 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.

On February 23, 2011, Meepong Water was granted amended groundwater abstraction rights from the Water Apportionment Board in support of the water requirements for the Power Projects and the Export Coal Project.

4. Summary of Quarterly Results

(Prepared in accordance with Canadian GAAP)

Net Income Highlights
(in thousands of \$)

Quarters ended	Total income	Total expenses	Net loss	Basic and diluted loss per share
August 31, 2011*	621	3,227	(2,606)	(0.05)
May 31, 2011*	2	9,143	(9,141)	(0.17)
February 28, 2011*	(114)	5,325	(5,439)	(0.11)
November 30, 2010**	(920)	3,285	(4,205)	(0.08)
August 31, 2010*	836	2,344	(1,508)	(0.03)
May 31, 2010*	279	2,480	(2,201)	(0.04)
February 28, 2010*	(606)	2,612	(3,218)	(0.06)
November 30, 2009**	158	544	(386)	(0.01)

* 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, other than the retrenchment costs and extraordinary consulting fees during the three months ended August 31, 2011. See *Impairment of mineral properties and deferred expenditure* under *Section 10: Critical Accounting Estimates* for further details.

Cash Flow Highlights
(in thousands of \$)

	Three months ended August 31, 2011 (reviewed)	Three months ended August 31, 2010 (reviewed)	Nine months ended August 31, 2011 (reviewed)	Nine months ended August 31, 2010 (reviewed)	Year ended November 30, 2010 (audited)
Operating activities	(2,761)	(2,715)	(9,119)	(7,161)	(9,479)
Investing activities	(472)	1,006	(3,522)	(5,020)	(7,280)
Financing activities	350	-	350	-	-
Beginning cash balance	16,301	31,996	25,709	42,468	42,468
Net cash flow for the period	(2,883)	(1,709)	(12,291)	(12,181)	(16,759)
Ending cash balance	13,418	30,287	13,418	30,287	25,709

Operating Activities

For the three months ended August 31, 2011, operating activities utilised \$2.8 million cash compared with \$2.7 million in the same period in 2010.

For the nine month period ended August 31, 2011, operating activities utilised \$9.1 million cash compared with \$7.2 million in the same period in 2010.

This was primarily due to the impairment of certain capitalised costs during the three months ended May 31, 2011, and the retrenchment of staff and extraordinary consulting fees during the three months ended August 31, 2011.

Investing Activities

Investing activities for the three months ended August 31, 2011 utilised \$0.5 million cash compared with the generation of \$1.0 million in the same period in 2010.

Investing activities for the nine months ended August 31, 2011 utilised \$3.5 million cash compared with the utilisation of \$5.0 million in the same period in 2010.

In each case this reflects reduced expenditure in relation to project development activities.

Financing Activities

Financing activities for the three months ended August 31, 2011 generated \$0.35 million cash compared with no activity in the same period in 2010.

Financing activities for the nine months ended August 31, 2011 generated \$0.35 million cash compared with no activity in the same period in 2010.

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.

As of August 31, 2011, the Company had cash and cash equivalents of approximately \$13.4 million, which is considered to be adequate to fund the Company's ongoing personnel, office, lease and general expenses and committed third party costs (including the Company's prospecting licence obligations) through to at least August 31, 2012. These amounts are budgeted for such period to be approximately \$12.2 million. This would leave a cash balance as of August 31, 2012 of approximately \$1.2 million (ignoring changes in working capital).

The Company's cash and cash equivalents are not sufficient to fund the Company's existing contingent liabilities, which are payable on the occurrence of certain milestones. The Company anticipates that these milestones will only be achieved following, or in conjunction with, the raising of additional funding, a part of which funding would be used to pay the associated contingent liabilities. In the case of an acquisition of the Company, it is expected that the requisite funding would be provided by the purchaser in conjunction with the conclusion of such a transaction. In the case of the project development activities, it is expected that the requisite funding would be provided either in the form of equity raised via joint venture arrangements related to such project development activities and/or capital raising by the Company. The ability to raise such funding is always uncertain and there can be no assurance that such funds would be available in the amounts required on acceptable terms.

The Company is not currently incurring any material costs in relation to project development activities, other than as required to comply with the requirements of the Company's prospecting licence obligations. The Company would be required to raise additional funding in order to proceed with its project development activities. Such additional funding would consist primarily of equity raised via joint venture arrangements related to the project development activities and/or capital raising by CIC Energy. The ability to raise such funding is always uncertain and there can be no assurance that such funds would be available in the amounts required on acceptable terms.

The Company has no long term debt, capital lease obligations, 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 leases and rentals of office premises do not include any provisions that could trigger an additional funding requirement or early payment. 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 August 31, 2011, the Company had cash and cash equivalents of approximately \$13.4 million, compared to \$26.0 million as of August 31, 2010. The reduction 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 August 31, 2011, the Company has capitalised a total of \$170.5 million in respect of exploration and project development, including \$0.6 million that was capitalised during the three months ended August 31, 2011.

Exploration (in thousands of \$)

	Balance at November 30, 2010	(Disposals) / Additions three months ended August 31, 2011	(Disposals) / Additions nine months ended August 31, 2011	Balance at August 31, 2011
CIC Resources (Botswana) (Pty) Ltd.	61,686	595	(857)	60,829
Total	61,686	595	(857)	60,829

These costs represent expenditures for acquisition, drilling, geological analysis, and related costs for coal resources that have not yet been allocated to a project.

Power Projects (in thousands of \$)

	Balance at November 30, 2010	(Disposals) / Additions three months ended August 31, 2011	(Disposals) / Additions nine months ended August 31, 2011	Balance at August 31, 2011
Meepong Energy (Pty) Ltd.	57,042	-	-	57,042
Meepong Resources (Pty) Ltd.	46,433	-	127	46,560
Meepong Water (Pty) Ltd.	3,356	-	-	3,356
Meepong Services (Pty) Ltd.	179	-	-	179
Golden Concord Mookane Power (Pty) Ltd	175	-	-	175
Total	107,185	-	127	107,312

The Power Projects are 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. While the Company has recorded these costs in the Botswana subsidiary companies indicated, given the similarities between the export power project and the domestic power project, it is anticipated that the costs will be reallocated once one of the Power Projects is successfully developed.

As the Company is not currently engaged in project development activities in relation to either of the Power Projects, 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 would be required for the successful development of either of the Power Projects.

CTH Project
(in thousands of \$)

	Balance at November 30, 2010	(Disposals) / Additions three months ended August 31, 2011	(Disposals) / Additions nine months ended August 31, 2011	Balance at August 31, 2011
CIC Resources (Botswana) (Pty) Ltd.	3,933	0	(3,933)	0
Total	3,933	0	(3,933)	0

The current focus of the CTH Project is on the possibility of the production of low sulphur diesel fuel and associated products primarily for the domestic Botswana market utilising clean above ground coal gasification technology and Fischer-Tropsch technology. The Company is currently evaluating responses received to a request for proposals to a group of international companies in this regard. The review of such proposals is not expected to require material expenditures.

Management has determined that it is appropriate to recognise an impairment in the amount of \$3.9 million for capitalised costs that were incurred in the evaluation of potential markets and technological solutions that do not fall within the scope of the current focus of the CTH Project.

Export Coal Project
(in thousands of \$)

	Balance at November 30, 2010	(Disposals) / Additions three months ended August 31, 2011	(Disposals) / Additions nine months ended August 31, 2011	Balance at August 31, 2011
CIC Resources (Botswana) (Pty) Ltd.	2,380	0	0	2,380
Total	2,380	0	0	2,380

The Export Coal Project is intended to develop a coal export capability to international markets. 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 Export Coal Project is not expected to require material expenditures during the current fiscal year.

Capital Raising Activities

During the three month period ending on August 31, 2011, a total of 175,000 shares of the Company were issued by the Company as a result of the exercise of options to purchase shares of the Company issued pursuant to the Company's Share Option Plan, at an exercise price of \$2.00 per share.

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:

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.

On December 17, 2010 the Company and Moxirex executed an amendment agreement in relation to the Warrant Agreement, as amended, and the terms of the Warrants. Pursuant to the amendment agreement, certain of the milestones for vesting of the Warrants have been eliminated, the date for achievement of vesting in relation to Financial Close of the Mmamabula Energy Project has been extended and the expiry date of the warrants will be extended by three months in certain circumstances. The amendments contemplated in the Amendment Agreement were subject to CIC Energy obtaining such stock exchange, corporate and other approvals (including shareholder approval, if necessary) as may be required. On August 22, 2011, the Amendment Agreement was approved by the shareholders of the Company, and as of the date of this MD&A all other approvals have been obtained (including approval of the Toronto Stock Exchange).

As of the date of this MD&A, none of the vesting conditions had been met and therefore none of the Warrants had been accounted for.

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 and nine month periods ended August 31, 2011.

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 recognised in 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, except as indicated below, the estimated undiscounted future cash flows expected to be generated by the Company's project development activities and/or estimated current market values are expected to exceed the carrying amount of such long-lived assets.

As a result of the expiration of the prospecting licence for Mmamabula South on March 31, 2011, it was determined that it would be appropriate to recognise an impairment during the three months ended May 31, 2011 of the capitalised expenditure associated with the exploration and development of Mmamabula South, in the amount of \$4.2 million.

The current focus of the CTH Project is on the possibility of the production of low sulphur diesel fuel and associated products primarily for the domestic Botswana market utilising clean above ground coal gasification technology and Fischer-Tropsch technology. Management has determined that it is appropriate to recognise an impairment in the amount of \$3.9 million for capitalised costs that were incurred in the evaluation of potential markets and technological solutions that do not fall within the scope of the current focus of the CTH Project.

A failure to reach Financial Close for one or more of the projects contemplated for the Mmamabula Energy Complex 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 recognised 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 recognised 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 realised 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 recognised in earnings on a straight-line basis over the relevant vesting period. The counterpart is recognised 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) 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; 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.

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.

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.

In January 2009, the Accounting Standards Board 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 any material impact on the Company's financial statements.

(b) Recognition and measurement of financial instruments

In June 2009, certain amendments were made to Section 3855, financial instruments – Recognition and measurement, which will be effective for fiscal years beginning on or after January 1, 2011. These amendments will (i) clarify the application of the effective interest method following an impairment loss of an investment in debt instruments classified as held-to-maturity and as available for sale, and (ii) 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. The Company is in the process of evaluating the requirements of these new standards.

(c) Adoption of International Financial Reporting Standards

In February 2008, the Accounting Standards Board confirmed that International Financial Reporting Standards (“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 Conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of the fiscal year ending November 30, 2012, for which the current and comparative information will be prepared under IFRS. The Company is required to apply all of those IFRS standards which are effective for fiscal year ending November 30, 2012 and apply them to its opening December 1, 2012 balance sheet.

The Company has commenced development on its IFRS conversion plan, as follows:

Preliminary study: Identifying and analysing key areas which may be impacted by conversion to IFRS. A high level review of the major differences between Canadian GAAP and IFRS as related to the Company's accounting policies has been completed. This included an examination of the consequences of applying IFRS to the closing balance sheet of November 30, 2010, as well as to the interim consolidated financial statements for the fiscal quarters ended February 28, 2011, May 31, 2011 and August 31, 2011, identifying the differences between Canadian GAAP and IFRS.

Evaluation and development. In consultation with the Company's external auditors as well as external consultants and members of the Audit Committee, the Company will review and determine what changes to the Company's accounting policies will be required to be made in conjunction with the conversion to IFRS, and the consequences thereof. A detailed analysis of all relevant IFRS requirements, the identification of those areas in which accounting policy changes or alternatives may be necessary, and a determination of which policy changes or alternatives to adopt is currently underway. Any key changes to the Company's existing accounting policies and any major differences in accounting treatment identified will be described once this process is completed.

Following the determination of the policy changes or alternatives to be adopted, the Company will also determine whether any changes will need to be made to the Company's internal controls over financial reporting and/or disclosure controls and procedures. The Company does not expect that the conversion to IFRS will require significant changes to the Company's internal controls over financial reporting or disclosure controls and procedures; however, as the accounting policies are selected, appropriate changes to ensure the integrity of internal control over financial reporting and disclosure controls and procedures will be made. The Company also does not anticipate that any changes will be required to be made to the Company's IT systems in order to implement the conversion to IFRS.

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 October 11, 2011. 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		52,748,969
Share Options	April 17, 2014 July 26, 2014 Aug 6, 2017 Dec 16, 2017 Jan 12, 2018 June 2, 2018 July 18, 2019	\$6.90 \$8.00 \$4.00 \$2.00 \$2.00 \$2.00 \$2.60	745,000 290,000 600,000 810,000 1,140,000 745,000 715,000	5,045,000
Warrants	April 21, 2013	\$1.75	13,061,448	13,061,448
Total number of Fully Diluted Shares				70,855,417

14. Internal Control Over Financial Reporting

No changes were made to the Company's internal control over financial reporting during period beginning on December 1, 2010 and ended on August 31, 2011 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. 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.

The Company and its advisors are currently engaged in discussions with prospective acquirers. There can be no assurances that these discussions will result in a definitive agreement to acquire the Company. The failure of the Company to enter into a definitive agreement to acquire the Company could have a material adverse effect on the business and financial condition of CIC Energy, in particular given the Company's cash position and future funding requirements.

Project Development Risks

The development of the projects contemplated for the Mmamabula Energy Complex is dependent on CIC Energy or its affiliates entering into all of the requisite agreements. 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 Power Projects, the Export Coal Project or the CTH 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 each of the Power Projects, the Export Coal Project and the CTH 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 relevant Power Project, Export Coal Project and CTH Project, and in turn, the business, financial condition and results of operations of CIC Energy.

The Export Coal Project is dependent on the development by the Government of Botswana and the Government of Namibia of a railway line from the Mmamabula Energy Complex site to a port on the coast of Namibia, and coal handling terminal and related facilities at such port. Any delay by the Government of Botswana and the Government of Namibia in developing the railway line and port facilities would have a material adverse effect on the development of the Export Coal Project, and therefore on the business, financial condition and/or results of operations of CIC Energy.

Although the EPC Contract for the Mmamabula Energy Project is still in force and effect, it is likely that the continued delay in the development of the MEP will result in the need to renegotiate the EPC Contract prior to the resumption of development of the MEP. There can be no assurance that any such renegotiation would be successful, which may adversely affect the ability of the Company to successfully develop the Mmamabula Energy Project, including achieving Financial Close of the MEP in a timely manner or at all, which may, in turn, adversely affect the business, financial condition and results of operations of CIC Energy. In addition, significant mining and processing plant equipment for the mining operations, as well as general infrastructure, will be required to be procured for each of the Power Projects, the pricing and availability of which is beyond the control of CIC Energy.

The power produced by the Power Projects is intended to be sold under PPAs to be entered into with the relevant off-takers (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). 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 Power Projects being commercially unfeasible.

The successful conclusion of the PPAs for the Power Projects, including the agreement on the price of capacity and energy thereunder, will require the approval of, inter alia, the Department of Energy 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 finalise the PPAs for the Power Projects, 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 Power Projects and on CIC Energy's financial condition.

CIC Energy's business plans depend on its ability to hold various mineral rights which requires certain licences, permits and authorisations and, in some cases, renewals of existing licences, permits and authorisations from various governmental and quasi-governmental authorities. CIC Energy's ability to obtain, maintain or renew such licences, permits and authorisations 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 CIC Energy.

The ownership and operation of the proposed power station for each 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 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 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.

The development of the Export Coal Project is conditional upon obtaining certain licences, permits and approvals from the relevant governmental authorities in Botswana. If there is a delay in receiving such approvals, or the Company is unable to obtain any required licences, permits and approvals, this would have a material adverse effect on the development of the Export Coal Project, and therefore on the business, financial condition and/or results of operations of CIC Energy.

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 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 authorisations, 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 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 relevant 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 a Power Project 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 Power Projects 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 each of the Power Projects.

For each 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 relevant Power Project.

The ability to export coal is dependent on factors beyond the control of CIC Energy, including, but not limited to, the availability of the railway and port facilities, the price and amount of coal sold and the completion of the development of the Export Coal Project within budget and on schedule. Anything which adversely affects price and volume of coal exported could adversely affect the business, financial condition or results of operations of CIC Energy.

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 each of the Power Projects. 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 Power Projects is expected to be received in Rand and Pula, as the case may be, 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. 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

It is expected that the Company will be required to raise additional funding prior to resuming project development activities for each of the projects contemplated for the Mmamabula Energy Complex. 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 such projects. Failure to obtain sufficient financing when needed will result in a delay in project development activities, 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.

The construction and implementation of each project contemplated for the Mmamabula Energy Complex will require the raising of debt financing. 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 such projects.

In addition to the foregoing, the development of each of the Power Projects may require the hedging of a substantial quantity of currency exposure. There is a risk that sufficient hedging capacity may not be available to finance each of the Power Projects. In addition, increases in interest rates may increase the cost of project debt funding and adversely impact each of the Power Projects. 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 relevant Power Project.

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

In a news release dated May 31, 2011, the Company announced that its board of directors had approved the termination by the Company of the agreements with JSW, as the Company believes shareholder interests will be better served by pursuing an alternative transaction. A notice of termination was sent to JSW on June 1, 2011. Pursuant to the terms of the agreements with JSW, JSW had a right of first refusal in the event that the Company intended to enter

into agreement in relation to the acquisition of the Company with a third party. This right of first refusal expired on August 31, 2011.

The Company and its advisors are currently engaged in discussions with other prospective acquirers. There can be no assurances that these discussions will result in a definitive agreement to acquire the Company. Should the Company be unsuccessful in entering into a definitive agreement to acquire the Company, it is expected that the Company will need to reconsider its strategic plans in relation to the project development activities.

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 Company's understanding of the IRP2010 and the Company's beliefs and intentions in respect thereof; the implementation and completion of the regulatory approval process in South Africa; the possibility of materially increasing coal quantities that could be allocated to the Export Coal Project; the expected output of the Company's domestic power project; the Power Projects, including with respect to their development; future environmental compliance and technology; development activities, anticipated milestones and planned operations of CIC Energy; the CTH Project and the Export Coal Project; the possible coal terminal and loading facility at the Namibian coast; the Company's expectations regarding the MDPP Shareholders' Agreement; the Company's ability to raise funding; the deferral of development activities in relation to the MEP; the demand for power in southern Africa; anticipated expenditures and contingent liabilities and the timing thereof; the Company's expectation that it has sufficient cash and cash equivalents to satisfy same through to August 31, 2012; sources of funding for the Company's contingent liabilities; negotiation and conclusion of PPAs for the Power Projects; estimates and/or assumptions in respect of mineral and ground water resources, mineral resource qualities, targets, future production, goals, milestones, 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 realised or substantially realised, 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: the outcome of arbitration proceedings initiated by GCL Botswana; 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 each of the Power Projects, on favourable terms or at all; the outcome of the arbitration between CIC International and GCL Botswana in connection with the MDPP Shareholders' Agreement; completion of the possible sale of CIC International's interest in the MDPP JVCo, or the exercise of GCL Botswana's right of first refusal in connection with the same; the failure of the counterparties to such requisite agreements to comply in all material respects with the terms and conditions of such agreements; the status of the EPC contract with SEC; the failure to complete agreements with equity partners 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 Power Projects and/or the implementation of each of the Power Projects on favourable terms or at all; capital equipment, infrastructure and operating costs varying significantly from estimates; delays in the development of each of the Power Projects 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 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 obtain requisite credit support from the Government of South Africa and/or the Government of Botswana in relation to each of the Power Projects; delays or failures in obtaining regulatory permits and/or licences (and renewals thereof) and

authorisations respecting prospecting licenses, 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 development of the Trans Kalahari Railway Line and a port in Namibia; the unavailability of sufficient hedging capacity to finance each of the Power Projects; 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 and debt 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 Power Projects, or the failure to obtain amendments to any such laws that may be necessary to implement the Power Projects; political risks arising from operating in Africa; 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 in respect of 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.