



CIC ENERGY CORP.

**Consolidated Interim Financial Statements
expressed in Canadian Dollars
for the three and nine months ended August 31, 2006
unaudited and prepared by management.**

These unaudited financial statements of CIC Energy Corp. ("the Company") for the three and nine months ended August 31, 2006 have not been reviewed by the auditors of the Company. This notice is being provided in accordance with section 4.3(3)(a) of National Instrument 51-102 Continuous Disclosure Obligations.

CIC Energy Corp.
Consolidated Balance Sheets
Expressed in Canadian Dollars

	<u>Notes</u>	August 31, 2006 (Unaudited)	November 30, 2005 (Audited)
Assets			
Current assets:			
Cash		\$ 35,991,749	\$ 5,547,954
Other receivables		280,671	43,905
Prepayments		<u>272,551</u>	<u>–</u>
		36,544,971	5,591,859
Non-current assets			
Property and equipment	4	128,669	5,190
Exploration properties	5	<u>41,942,771</u>	<u>3,736,109</u>
		<u>\$ 78,616,411</u>	<u>\$ 9,333,158</u>
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 2,348,089	\$ 1,551,994
Shareholders' equity			
	7	<u>76,268,322</u>	<u>7,781,164</u>
		<u>\$ 78,616,411</u>	<u>\$ 9,333,158</u>
Commitments	9,12		

See accompanying notes to the consolidated financial statements.

CIC Energy Corp.
Unaudited, Consolidated Statements of Operations and Deficit
Expressed in Canadian Dollars

	<u>Notes</u>	Three months ended August 31, 2006	Nine months ended August 31, 2006
Other income and expenses			
Interest received		\$ 801,008	\$ 819,405
Loss on foreign exchange		<u>(598,893)</u>	<u>(489,546)</u>
		<u>202,115</u>	<u>329,859</u>
Corporate and exploration expenses			
Administrative costs		(898,646)	(2,572,689)
Listing expenses		-	(103,134)
Exploration and project evaluation		-	(25,433)
Depreciation		<u>(5,914)</u>	<u>(8,706)</u>
		<u>(904,560)</u>	<u>(2,709,962)</u>
Net loss before income taxes		(702,445)	(2,380,103)
Income taxes	8	<u>-</u>	<u>-</u>
Net loss		<u>\$ (702,445)</u>	<u>\$ (2,380,103)</u>
Basic and diluted loss per share	10	<u>\$ (0.02)</u>	<u>\$ (0.08)</u>

See accompanying notes to the consolidated financial statements.

CIC Energy Corp.
Unaudited Consolidated Statements of Deficit
Expressed in Canadian Dollars

		Three months ended August 31, 2006	Nine months ended August 31, 2006
	<u>Notes</u>		
Deficit, beginning of period		\$ (6,253,745)	\$ (1,296,596)
Net loss for the period		(702,445)	(2,380,103)
Share issue costs		<u>(43,912)</u>	<u>(3,323,403)</u>
Deficit, end of period	7	<u>\$ (7,000,102)</u>	<u>\$ (7,000,102)</u>

See accompanying notes to the consolidated financial statements.

CIC Energy Corp.
 Unaudited, Consolidated Statements of Cash Flows
 Expressed in Canadian Dollars

	Notes	Three months ended August 31, 2006	Nine months ended August 31, 2006
Cash Flows from Operating Activities			
Net loss		\$ (702,445)	\$ (2,380,103)
Items not affecting cash:			
Depreciation		5,914	8,706
Foreign exchange		598,893	489,546
Net operating working capital changes	11	<u>1,341,491</u>	<u>286,778</u>
		<u>1,243,853</u>	<u>(1,595,073)</u>
Cash Flows from Investing Activities			
Property and equipment		(46,811)	(132,185)
Exploration properties		<u>(27,942,983)</u>	<u>(38,697,168)</u>
		<u>(27,989,794)</u>	<u>(38,829,353)</u>
Cash Flow from Financing Activities			
Common shares issued		<u>3,439,419</u>	<u>70,868,221</u>
Increase (decrease) in cash during the period		(23,306,522)	30,443,795
Cash, beginning of period		<u>59,298,271</u>	<u>5,547,954</u>
Cash, end of period		<u>\$ 35,991,749</u>	<u>\$ 35,991,749</u>

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS

Coal Investment Corp. was incorporated on March 10, 2005 under the International Business Companies Act in the Territory of The British Virgin Islands to engage in the acquisition, exploration, development and operation of coal properties in Botswana.

CIC Energy Corp. (the "Company" or "CIC") was established pursuant to the merger of Coal Investment Corp. and Consolidated Ophir Ventures Inc. ("Ophir"), effective March 14, 2006. CIC was incorporated under the International Business Companies Act in the Territory of the British Virgin Islands and listed on the Toronto Stock Exchange on March 23, 2006. On June 5, 2006, CIC was listed on the Botswana Stock Exchange.

These consolidated financial statements for the nine months ended August 31, 2006 comprise CIC and its wholly-owned subsidiaries, Meepong Resources (Proprietary) Limited ("MRPL"), Meepong Energy (Proprietary) Limited and Coal Investment Corp Services (Pty) Ltd, (together, the "Company").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada.

(b) Principles of consolidation

These financial statements consolidate the financial statements of all controlled companies. Inter-company transactions and balances have been eliminated in consolidation.

(c) Translation of foreign currencies

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

amounts are included in the consolidated statements of operations.

(d) Property and equipment

Property and equipment are stated at cost and depreciated on a straight-line basis over five years.

(e) Exploration properties

The Company considers its exploration costs to have the characteristics of plant and equipment. As such, the Company capitalizes all exploration costs that result in the acquisition and retention of resource properties or an interest therein. The amounts shown for exploration properties represents costs to date and do not necessarily reflect present or future values. If the properties are sold, allowed to lapse or are no longer of interest, accumulated costs are written down. Once a project reaches commercial production, the exploration costs are amortized over the estimated useful life of the producing properties.

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

(f) Income taxes

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

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

A valuation allowance is provided to reduce future tax assets to the amount that is more likely than not to be recovered.

(g) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the years. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, exploration properties, valuation allowances of receivables and stock-based compensation. Actual results could differ from those estimates.

(h) (Loss) / earnings per share

Basic (loss) / earnings per share ("EPS") are calculated by dividing net (loss) / income by the weighted average number of shares outstanding during the year. Diluted EPS data is calculated using the treasury stock method. The calculation of diluted (loss) / earnings per share assumes that options and warrants with an exercise price lower than the average quoted market price were exercised at the later of the beginning of the period or time of issue. In applying the treasury stock method, options with an exercise price greater than the average quoted market price of the common shares are not included in the calculation of diluted earnings per share, as the effect is anti-dilutive.

(i) Cash

Cash includes those short-term money market instruments which, on acquisition, have a remaining term to maturity at acquisition of three months or less.

(j) Impairment of long-lived assets

Long-lived assets, including property and equipment 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 by a comparison of the carrying amount of an asset to estimated undiscounted cash future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. 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 disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

(k) Stock-based compensation

The Company has a stock-based compensation plan for agent options and compensation warrants, employees and property acquisition agreements, which is described in note 10. The Company accounts for all stock-based payments to non-employees, and employee awards that are direct awards of stock granted on or after March 1, 2004 under the fair value based method and accounts for all stock-based employee awards that call for settlement by the issuance of equity instruments under that method.

Under the fair value based method, compensation cost for equity settled stock options 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 recognized in contributed surplus. Upon exercise of a stock option, share capital is recorded at the sum of the proceeds received and the related amount of contributed surplus.

(l) Environmental rehabilitation

Provision for environmental rehabilitation is provided as exploration work is conducted. Estimates are based on managements' estimates of costs to restore the exploration site to comply with the respective country's environmental legislation. Estimates are based on undiscounted future cash flows.

3. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(i) Fair values

The fair values of the Company's cash, other receivables, prepayments and accounts payable and accrued liabilities approximate their carrying

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values due to the relatively short-term nature of these amounts.

(ii) Foreign exchange risk

The Company carries out a significant portion of its transactions in currencies other than its reporting currency. No hedging instruments are used as uncertainty exists as to the exact settlement dates of these transactions. Cash is held in the currency of the expected payment to reduce risks related to short-term fluctuations in foreign currencies.

(iii) Interest rate risk

The Company is not exposed to significant interest rate risk.

(iv) Credit risk

The Company's financial instruments do not represent a concentration of credit risk, as the Company deals with a number of reputable banks. Credit risk related to accounts receivable is not significant.

4. PROPERTY AND EQUIPMENT

	August 31, 2006 (Unaudited)	November 30, 2005 (Audited)
	Cost	Accumulated depreciation
	Net book value	Net book value
Office equipment and furniture	<u>\$ 137,375</u>	<u>\$ 8,706</u>
	<u>\$ 128,669</u>	<u>\$ 5,190</u>

5. EXPLORATION PROPERTIES

	November 30, 2005 (Audited)	Additions	August 31, 2006 (Unaudited)
Mmamabula	<u>\$ 3,736,109</u>	<u>\$ 38,206,662</u>	<u>\$ 41,942,771</u>

Mmamabula - Botswana

CIC is engaged in the exploration, development and operation of two coal properties (Mmamabula East and Mmamabula South) located in the Mmamabula coalfield in south-eastern Botswana. The properties are held by CIC's wholly-owned Botswana subsidiary, Meepong Resources (Pty) Limited.

NOTES TO THE UNAUDITED, CONSOLIDATED FINANCIAL STATEMENTS
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6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised as follows:

	August 31, 2006 (Unaudited)	November 30, 2005 (Audited)
Trade creditors	\$ 2,338,071	\$ 1,547,052
Taxation	4,175	4,942
Provision for environmental rehabilitation	5,843	-
	<u>\$ 2,348,089</u>	<u>\$ 1,551,994</u>

Purchase the balance of 49% of MRPL on December 16, 2005	5,606,250	2,295,132
Private placement February 13, 2006	2,666,666	11,448,020
Private placement March 13, 2006	7,652,200	52,800,180
Ophir Investments – merger allocation	1,001,405	-
Warrants exercised	3,712,500	7,348,284
Broker warrants exercised	260,000	300,008
Balance August 31, 2006	43,324,021	\$ 83,268,424

7. SHAREHOLDERS' EQUITY

Shareholders' equity is comprised as follows:

	August 31, 2006 (Unaudited)	November 30, 2005 (Audited)
Capital stock (a)	\$ 83,268,424	\$ 9,076,800
Deficit	(7,000,102)	(1,296,596)
Cumulative translation adjustment	-	960
	<u>\$ 76,268,322</u>	<u>\$ 7,781,164</u>

(b) Warrants

(i) Agent options and compensation warrants

Of the outstanding warrants, 322,625 entitle the holder to purchase one common share per warrant at the exercise price of US\$1.00 (CA\$1.16) per share, expire on July 21, 2007 and are exercisable at any time.

(a) Capital stock

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

	Number	Amount
Issue of shares at inception	15,000,000	\$ 18,300
Private placement July 19, 2005	6,825,000	8,326,500
Private placement July 29, 2005	600,000	732,000
Balance November 30, 2005	22,425,000	\$ 9,076,800

	Warrants	Weighted average price
Issued - July 21, 2005	482,625	\$1.16
Balance November 30, 2005	482,625	\$1.16
Issued - March 13, 2006	459,132	\$6.90
Exercised - April 11, 2006	(160,000)	\$1.16
Exercised - June 1, 2006	(100,000)	\$1.14
Balance August 31, 2006	681,757	\$5.01

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(ii) Warrants

Warrants of 1,737,500 entitle the holder to purchase one common share per warrant at the exercise price of US\$1.75 (CA\$2.03) per share. These warrants expire 36 months after the first day of trading following the listing on the Toronto Stock Exchange. Warrants of 1,333,333 entitle the holder to purchase one common share at C\$6.90 until March 23, 2007.

	<u>Warrants</u>	<u>Weighted average price</u>
Issued - July 19, 2005	3,412,500	\$2.03
Issued - July 29, 2005	300,000	\$2.03
Balance November 30, 2005	3,712,500	\$2.03
Exercised	(3,712,500)	\$2.03
Issued - February 13, 2006	1,333,333	\$6.90
Issued - August 31, 2006	150,000	\$8.06
Balance August 31, 2006	1,483,333	\$7.02

Warrants are valued at the closing price of the share of the date of issue.

As at August 31, 2006 warrants outstanding due to brokers' compensation warrants were as follows:

<u>Number of Common Shares Subject to Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,333,333	\$6.90	23-Mar-2007
<u>150,000</u>	\$8.06	31-Aug-2008
<u>1,483,333</u>		

(c) Options

The Company has a rolling ten percent stock option plan in terms of which stock options are

issued to directors, officers, employees and key consultants from time to time. Options granted may be exercised during a period not exceeding five years, subject to earlier termination under various circumstances. The options are non-transferable and vest immediately. The exercise price may not be less than the minimum price stipulated by applicable regulators.

The stock options outstanding at August 31, 2006 expire as follows:

	Price	Number of options
April 17, 2014	\$6.90	3,005,000
July 26, 2014	\$8.00	<u>890,000</u>
Total		<u>3,895,000</u>

The fair value of options are included in contributed surplus.

8. INCOME TAXES

(a) The difference between the amount of the reported consolidated income tax provision and the amount computed by multiplying the consolidated earnings before income taxes at the Company's applicable Botswana (being the principal country in which the Company operates) tax rate of 15% (2005 – 15%) is reconciled as follows:

	Three months ended August 31, 2006 <u>(Unaudited)</u>	Nine months ended August 31, 2005 <u>(Unaudited)</u>
Income taxes computed using the Company's tax rate	\$ (105,367)	\$ (357,015)
Adjust for:		
Temporary differences	<u>105,367</u>	<u>357,015</u>
Income tax	<u>\$ -</u>	<u>\$ -</u>

(b) The tax basis of the Company's Botswana assets converted at year-end exchange rates results in a temporary difference, whereby the translated tax base is different than the Company's carrying value for accounting purposes. The tax effect of this temporary difference has not been recognized as a deferred tax asset, as future taxable income is

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not certain due to the risks associated with exploration ventures. These losses do not have expiry dates.

9. RELATED PARTY TRANSACTIONS

Included in the accounts are payments made to companies under the control or significant influence of officers and directors of the Company. 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:

	Three months ended August 31, 2006 (Unaudited)	Nine months ended August 31, 2006 (Unaudited)
Administrative services ¹	\$ 87,332	\$ 189,997
Consideration paid to original shareholders of Meepong Resources (Pty) Ltd. ²	\$ -	\$4,590,264

1. CIC carries on business outside Canada. CIC purchases administrative, advisory and investor relation services from a company that shares a common director to assist in fulfilling its ongoing obligations as a reporting issuer listed for trading on a stock exchange in Canada. On August 1, 2005, the Company entered into an administrative service agreement (the "Agreement") with Tau Capital Corp. ("Tau"). The Agreement has an initial term of three years, terminating on July 31, 2008, subject to further renewal by the parties to the agreement. The terms of the Agreement required the company to pay a monthly service fee of US\$18,000 until the listing of the Company's shares on a Canadian stock exchange. As the shares are now listed, the agreement calls for Tau to be paid a monthly service fee of US\$23,000.
2. The total consideration paid to acquire 100% of Meepong Resources (Pty) Limited (MRPL) from the original shareholders.
3. Coal Investment Corporate Services (Pty) Limited (CICS) shares offices with AfriOre (Pty) Limited, the holding companies of

both have a common director. Refer note 12.

10. LOSS PER COMMON SHARE

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

	Three months ended August 31, 2006 (Unaudited)	Nine months ended August 31, 2006 (Unaudited)
Numerator – Basic and Diluted		
Net loss	<u>\$ (702,445)</u>	<u>\$ (2,380,103)</u>
Denominator - Basic and Diluted Weighted average number of shares		
	41,486,521	29,314,776
Basic and diluted loss per share	\$ (0.02)	\$ (0.08)

3,895,000 share options and 2,165,090 warrants have been excluded in the calculation as their exercise would be anti-dilutive.

11. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Change in non-cash working capital items

	Three months ended August 31, 2006 (Unaudited)	Nine months ended August 31, 2006 (Unaudited)
Other receivables	\$ 91,744	\$ (236,766)
Prepayments	132,786	(272,551)
Accounts payable and accrued liabilities	<u>1,116,961</u>	<u>796,095</u>
Change in non-cash working capital	<u>\$ 1,341,491</u>	<u>\$ 286,778</u>

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(b) Cash paid for taxes and interest

	Three months ended August 31, 2006 (Unaudited)	Nine months ended August 31, 2006 (Unaudited)
Cash paid for taxes	\$ –	\$ –
Cash paid for interest	–	–

12. COMMITMENTS

In terms of a lease signed between CICS and AfriOre (Pty) Limited, CICS has future operating lease commitments for equipment and buildings amounting to \$310,557, ending 28 February 2011. Annual payments are:

2007	\$ 29,317
2008	\$ 62,369
2009	\$ 67,359
2010	\$ 72,794
2011	<u>\$ 78,718</u>
	<u>\$310,557</u>

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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 Company's business are more fully discussed in the Management Discussion and Analysis published in the Company's Annual Report and in CIC's Annual Information Form.

Directors

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Frank Crothers
Mandla Gantsho
Reuel Khoza – Co-Chairman
Greg Kinross
Len Konar
Blackie Marole
Elvidge Mhlauli
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TSX symbol: ELC
BSE Name: CIC ENERGY

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