



CIC ENERGY CORP.

**Consolidated Financial Statements
expressed in Canadian Dollars
for the years ended November 30, 2007 and 2006**

Management's Responsibility for Financial Information

Management has prepared the information and representations in these annual financial statements. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in Canada and, where appropriate, reflect management's best estimates and judgement. The financial information presented throughout this report is consistent with the data presented in the consolidated financial statements.

CIC Energy Corp. maintains adequate systems of internal accounting and administrative controls, consistent with reasonable cost. Such systems are designed to provide reasonable

Gregory Kinross, President

assurance that relevant and reliable financial information is produced. Our independent auditors have the responsibility of auditing the consolidated financial statements and expressing an opinion on them.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee is composed of three directors. This Committee meets periodically with management and the independent auditors to review accounting, auditing, internal control and financial reporting matters.

Craig McLeary, CFO February 28, 2008

Auditors' Report

To the Shareholders of CIC Energy Corp.

We have audited the consolidated balance sheets of CIC Energy Corp. as at November 30, 2007 and 2006 and the consolidated statements of operations, deficit and cash flows for the years ended November 30, 2007 and 2006. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Group as at November 30, 2007 and 2006 and the results of its operations and its cash flows for the years ended November 30, 2007 and 2006 in accordance with Canadian generally accepted accounting principles.

KPMG Inc.
Registered Auditor

Per Nick van Niekerk
Chartered Accountant (SA)
Registered Auditor
Director
February 28, 2008

KPMG Crescent
85 Empire Road
Parktown
Johannesburg
South Africa

CIC Energy Corp.
Consolidated Balance Sheets
At November 30, 2007 and 2006

	Note	2007 \$	2006 \$
Assets			
Current assets:			
Cash and cash equivalents		121,989,033	27,910,965
Other receivables		538,743	296,087
Deposits		78,555	–
Prepayments		<u>263,295</u>	<u>218,101</u>
		122,869,626	28,425,153
Non-current assets			
Property and equipment	4	693,777	225,264
Goodwill	8(a)(iv)	3,325,981	–
Mineral assets	5	4,031,503	3,131,931
Mine infrastructure	6	1,047,131	–
Exploration properties	7	<u>86,338,509</u>	<u>48,103,307</u>
		<u>218,306,527</u>	<u>79,885,655</u>
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		3,464,990	3,442,101
Taxation liability		<u>133,660</u>	<u>56,266</u>
		3,598,650	3,498,367
Shareholders' equity	8	<u>214,707,877</u>	<u>76,387,288</u>
		<u>218,306,527</u>	<u>79,885,655</u>
Commitments	13		

Approved on behalf of the directors:

Warren E. Newfield

Gregory Kinross

See accompanying notes to the consolidated financial statements.

CIC Energy Corp.
Consolidated Statements of Operations
For the years ended November 30, 2007 and 2006

	Note	2007 \$	2006 \$
Other income and expenses			
Interest received		2,624,142	1,116,325
Profit on foreign exchange		<u>274,721</u>	<u>528,308</u>
		<u>2,898,863</u>	<u>1,644,633</u>
Corporate and exploration expenses			
Stock based compensation		7,524,340	194,356
Office and general expenses		4,209,380	2,284,521
Personnel expenses		1,944,115	873,162
Impairment	7	832,316	—
Management fees		303,882	274,061
Listing fees		136,364	88,523
Operating lease expenses		265,337	53,625
Depreciation		86,347	17,604
Interest paid		<u>643</u>	<u>801</u>
		<u>15,302,724</u>	<u>\$ 3,786,653</u>
Net loss before income taxes		(12,403,861)	\$ (2,142,020)
Income taxes	9	<u>(81,618)</u>	<u>(55,268)</u>
Net loss		<u>(12,485,479)</u>	<u>\$ (2,197,288)</u>
Basic and diluted loss per share	11	<u>\$ (0.26)</u>	<u>\$ (0.06)</u>

See accompanying notes to the consolidated financial statements.

CIC Energy Corp.
Consolidated Statements of Deficit
For the years ended November 30, 2007 and 2006

	Note	2007 \$	2006 \$
Deficit, beginning of year		(8,355,435)	(1,295,636)
Net loss for the year		(12,485,479)	(2,197,288)
Share issue costs		<u>(6,362,459)</u>	<u>(4,862,511)</u>
Deficit, end of year	8	<u>(27,203,373)</u>	<u>(8,355,435)</u>

See accompanying notes to the consolidated financial statements.

CIC Energy Corp.
Consolidated Statements of Cash Flows
For the years ended November 30, 2007 and 2006

	Note	2007 \$	2006 \$
Cash Flows from Operating Activities			
Net loss		(12,485,479)	(2,197,288)
Interest received		(2,624,142)	(1,116,325)
Items not affecting cash			
Unrealised operational foreign exchange gain		(274,721)	(528,308)
Taxation expense		81,618	55,268
Depreciation		86,347	17,604
Cost of warrants issued to consultants		333,600	—
Movement in provisions		591,591	—
Impairment of assets		832,316	—
Stock based compensation		7,524,340	194,356
Net operating working capital changes	12(a)	(939,331)	1,410,576
Taxation paid		—	—
Net cash flow from operating activities		<u>(6,873,861)</u>	<u>(2,164,117)</u>
Cash Flows from Investing Activities			
Interest received		2,624,142	1,116,325
Purchase of equipment		(580,830)	(237,678)
Mineral asset development expenditure		(899,572)	(3,131,931)
Mine infrastructure development		(1,047,131)	—
Net cash acquired on acquisition of Ophir		—	10,938
Acquisition of SAD-ELEC	8(a)(iv)	(1,047,005)	—
Exploration properties expenditure		(30,110,357)	(41,908,828)
Net cash flow from investing activities		<u>(31,060,753)</u>	<u>(44,151,174)</u>
Cash Flow from Financing Activities			
Proceeds from issue of share capital and warrants		137,784,378	72,009,152
Share issue expenses		(5,771,696)	(3,330,159)
Net cash flow from financing activities		<u>132,012,682</u>	<u>68,678,993</u>
Increase in cash and cash equivalents		94,078,068	22,363,702
Foreign exchange		—	(691)
Cash at the beginning of year		<u>27,910,965</u>	<u>5,547,954</u>
Cash at the end of year		<u>121,989,033</u>	<u>27,910,965</u>

Supplementary cash flow information is disclosed in note 12.

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS

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

These consolidated financial statements for the years ended November 30, 2007 and 2006 comprise CIC and its wholly-owned subsidiaries, together referred to as the "Group". Wholly-owned subsidiaries are outlined below:

- CIC International (Barbados) Corp,
- CIC (Barbados) Holding Corp,
- CIC (Barbados) Mining Corp,
- CIC (Barbados) Energy Corp,
- CIC Energy (Botswana) (Proprietary) Limited,
- CIC Energy (South Africa) (Proprietary) Limited,
- CIC Energy (Bahamas) Limited,
- Molapo Water (Proprietary) Limited ,
- Meepong Water (Proprietary) Limited ,
- Bon-Terra Mining (Proprietary) (Limited)
- SAD-ELEC (Proprietary) Limited
- Meepong Resources (Mauritius) (Proprietary) Limited
- Meepong Energy (Mauritius) (Proprietary) Limited
- Meepong Resources (Proprietary) Limited
- Meepong Energy (Proprietary) Limited

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) Change in accounting policies

Effective December 1, 2006 the Group adopted the new CICA Handbook Standards relating to financial instruments. These new standards have been adopted on a prospective basis with no restatement of prior period financial statements.

- Section 3855, "Financial Instruments – Recognition and Measurement" provides guidance on the recognition and measurement of financial assets, financial liabilities and derivative financial instruments. This new standard requires that all financial assets and liabilities are

classified as either held-to-maturity, held-for-trading, loans and receivables, available-for-sale, or other financial liabilities. The initial and subsequent recognition depends on their initial classification.

- Held-to-maturity financial assets are initially recognised at their fair values and subsequently measured at amortised cost using the effective interest method. Impairment losses are charged to net earnings in the period in which they arise.
- Held-for-trading financial instruments are carried at fair value with changes in fair value charged or credited to net earnings in the period in which they arise.
- Loans and receivables are initially recognised at fair values, with any resulting premium or discount from the face value being amortised to income or expense using the effective interest method. Impairment losses are charged to net earnings in the period in which they arise.
- Available for sale financial instruments are carried at fair value with changes in the fair value charged or credited to other comprehensive income. Impairment losses are charged to net earnings in the period in which they arise.
- Other financial liabilities are initially measured at cost or amortised cost depending upon the nature of the instrument with any resulting premium or discount from the face value being amortised to income or expense using the effective interest method.
- All derivative financial instruments meeting certain recognition criteria are carried at fair value with changes in fair value charged or credited to income or expense in the period in which they arise.

The standard requires the group to make certain elections, upon initial adoption of the new rules, regarding the accounting model used to account for each financial instrument. This new section also requires that transaction costs incurred in connection with the issuance of financial instruments either be capitalised and presented as a reduction of the carrying value of the related financial instrument or expensed as incurred. If capitalised, transaction costs must be amortised to income using the effective interest method. This section does not permit the restatement of financial statements of prior periods.

The following is a summary of the accounting model the Group has elected to apply to each of its significant categories of financial instruments outstanding as of November 30, 2007:

Cash & cash equivalents:	Held for trading
Deposits	Loans and receivables
Accounts receivable:	Loans and receivables
Accounts payable:	Other liabilities

In addition, the group has elected to account for transaction costs related to the issuance of financial instruments that are held for trading as a charge to the statements of operations in the period in which they arise. With respect to embedded derivatives, the Group has elected to recognise only those derivatives embedded in contracts issued, acquired or substantively modified on or after January 1, 2003 as permitted by the transactional provisions set out in section 3855.

(c) Principles of consolidation

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

(d) Translation of foreign currencies

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

translated at the exchange rates in effect on the date of the transaction. Exchange gains and losses resulting from the translation of these amounts are included in the consolidated statements of operations.

(e) Property and equipment

Property and equipment are stated at cost and depreciated on a straight-line basis over their estimated useful lives. Currently all categories of property, plant and equipment have an expected useful life of 5 years.

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

(f) Goodwill

The Group recognize goodwill acquired in a business combination as an asset; and initially measure that goodwill at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities.

After initial recognition, the Group measures goodwill acquired in a business combination at cost less any accumulated impairment losses.

Goodwill is subject to impairment tests annually by comparing the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit is less than its carrying value, a goodwill impairment loss is recognized as the excess of the carrying value of the goodwill over the fair value of the goodwill. The determination of fair value requires management to make assumptions and estimates about recoverable reserves, future commodity prices, operating costs, production profiles and discount rates. Changes in any of these assumptions, such as a downward revision in reserves, a decrease in future commodity process, an increase in operating costs or an increase in discount rates, could result in an impairment of all or a portion of the goodwill carrying value in future periods.

(g) Mineral assets

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

(h) Mine infrastructure

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

(i) Exploration properties

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

Included in exploration properties are amounts related to expenditures incurred during the pre-operating period. Once a project reaches commercial production, the exploration costs are amortised over the estimated useful life of the producing properties.

The recoverability of the carrying values of the properties is dependent on the ability of CIC 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.

Exploration properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual 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 that asset exceeds the fair value of that 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, and are no longer depreciated. The assets and liabilities of disposed group classified for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

(j) Income taxes

The Group accounts for income taxes using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognised 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 substantively 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 recognised 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.

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

Current taxation is the expected taxation payable, using taxation rates enacted at the balance sheet date, including any prior year adjustments.

(k) 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, goodwill, mineral assets, mine infrastructure, exploration properties, valuation allowances of receivables and stock-based compensation. Actual results could differ from those estimates.

(l) Loss per share

Basic loss per share ("EPS") is calculated by dividing net loss by the weighted average number of shares outstanding during the year. Diluted EPS data is calculated using the treasury stock method. In applying the treasury stock

method, options with an exercise price greater than the average quoted market price of the common shares are not included in the calculation of diluted earnings per share, as the effect is anti-dilutive.

(m) Cash and cash equivalents

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

(n) Impairment of long lived assets

Long-lived assets, including property and equipment, mineral assets and mine infrastructure, 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 recognised 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, 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.

(o) Stock-based compensation

The Group has a stock-based compensation plan for agent options and compensation warrants, employees and property acquisition agreements, which is described in note 9. The Group accounts for all stock-based payments to non-employees under the fair value based method and accounts for all stock-based employee awards that call for settlement by the issuance of equity instruments under that method.

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

(p) Asset retirement obligation

The Group currently records the obligation for estimated asset retirement costs at fair value when incurred. Factors that can affect the fair value of the obligation include the expected costs to be incurred, the useful lives of the assets and discount rates applied. Cost estimates are influenced by factors such as the number and type of assets subject to asset retirement obligations, the extent of work required and changes in environmental legislation. A revision to the estimated costs to be incurred or useful lives of the assets could result in an increase or decrease in the total obligation, which would change the amount of amortisation and depreciation expense in net earnings over time.

3. FINANCIAL ASSETS AND LIABILITIES

(i) Fair values

The fair values of the Group's cash, other receivables, accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term nature of these amounts.

(ii) Foreign exchange risk

The Group 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 Group is not exposed to significant interest rate risk.

(iv) Credit risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended November 30, 2007 and 2006.

4. PROPERTY AND EQUIPMENT (all amounts in \$)

	2007			2006		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Owned assets						
Plant and equipment	56,653	11,948	44,705	55,711	958	54,753
Motor vehicles	76,054	5,545	70,509	9,076	–	9,076
Office equipment and furniture	436,011	77,077	358,934	146,939	12,899	134,040
	<u>568,718</u>	<u>94,570</u>	<u>474,148</u>	<u>211,726</u>	<u>13,857</u>	<u>197,869</u>
Leasehold improvements						
Office suite improvements	219,629	–	219,629	31,618	4,223	27,395
	<u>788,347</u>	<u>94,570</u>	<u>693,777</u>	<u>243,344</u>	<u>18,080</u>	<u>225,264</u>

Reconciled as follows:

2007	Balance, beginning of year	Additions	Depreciation	Disposals	Impairment*	Balance, end of year
Owned assets						
Plant and equipment	54,753	942	10,990	–	–	44,705
Motor vehicles	9,076	66,978	5,545	–	–	70,509
Office equipment and furniture	134,040	289,072	64,178	–	–	358,934
	<u>197,869</u>	<u>356,992</u>	<u>80,713</u>	<u>–</u>	<u>–</u>	<u>474,148</u>
Leasehold improvements						
Office suite improvements	27,395	223,838	5,634	–	25,970	219,629
	<u>225,264</u>	<u>580,830</u>	<u>86,347</u>	<u>–</u>	<u>25,970</u>	<u>693,777</u>

- Leasehold improvements were impaired following an office relocation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended November 30, 2007 and 2006.

5. MINERAL ASSETS (all amounts in \$)

2007	Balance, beginning of year	Additions	Disposals	Balance, end of year
Mmamabula Mine Development	3,131,931	899,572	–	4,031,503

2006	Balance, beginning of year	Additions	Disposals	Balance, end of year
Mmamabula Mine Development	–	3,131,931	–	3,131,931

6. MINE INFRASTRUCTURE (all amounts in \$)

2007	Balance, beginning of year	Additions	Disposals	Balance, end of year
Mmamabula Mine Infrastructure	–	1,047,131	–	1,047,131

2006	Balance, beginning of year	Additions	Disposals	Balance, end of year
Mmamabula Mine Infrastructure	–	–	–	–

7. EXPLORATION PROPERTIES (all amounts in \$)

2007	Balance, beginning of year	Additions	Disposals	Impairment	Balance, end of year
Mmamabula	48,103,307	39,041,548	–	806,346	86,338,509

2006	Balance, beginning of year	Additions	Disposals	Impairment	Balance, end of year
Mmamabula	3,736,109	44,367,198	–	–	48,103,307

Mmamabula - Botswana

CIC is a single purpose company focused on the development and operation of the Mmamabula East and Mmamabula South non-contiguous coal properties located in the Mmamabula coalfield in south-eastern Botswana. The properties are held by CIC's wholly-owned Botswana subsidiary, Meepong Resources (Pty) Limited. The proposed development includes the operation of two non-contiguous greenfields properties located in the Mmamabula coalfields in southeastern Botswana with the goal of supplying fuel to integrated, mine-mouth power stations supplying electricity to the southern African region. CIC aims to initially develop the Mmamabula Energy Project as a mine-mouth coal fired power station, supplying Eskom (South African electricity utility) and the southern African power grid in respect of a 2 phase development.

In addition, the Group is pursuing a Coal-To-Hydrocarbons ("CTH") Project to potentially produce synthesis gas ("syngas") from coal which can be converted to a variety of downstream products including chemicals, gas and fuels. The Group is also exploring the potential for exporting coal from the Mmamabula Coal Field.

Impairment

Following technical studies it was concluded that it will not be economically viable to develop a Calcrete containing property for commercial applications. Previously capitalised costs incurred in exploring this opportunity have been impaired.

International Power plc

CIC and International Power plc ("IPR") have reached an Understanding in Principle regarding the development of the Mmamabula project, whereby IPR, through its holding companies, Meepong Resources Holdings BV and Meepong Energy Holding BV, will acquire a 50% interest in Meepong Resources (Pty) Limited, which holds the exploration licences for Mmamabula East and South, and Meepong Energy (Pty) Limited. The project, represented by mineral assets, mine infrastructure and exploration properties, is carried at \$91,417,143 (2006: \$51,235,238).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended November 30, 2007 and 2006.

8. SHAREHOLDERS' EQUITY

The following table outlines the continuity of shareholders' equity for the years ended November 30, 2007 and 2006:

	Capital stock		Warrants		Stock options	Contributed surplus	Deficit	Total shareholders' equity
	#	\$	#	\$	\$			
Balance, November 30, 2005	22,425,000	9,076,800	4,195,125	-	-	-	(1,295,636)	7,781,164
Purchase of the balance of 49% of MRPL on January 3, 2006 (iii)	5,606,250	1,930,063	-	-	-	-	-	1,930,063
Private placements (i) (ii)	10,318,866	64,248,200	1,942,465	1,532,352	-	-	(4,862,511)	60,806,591
Ophir Investments - merger allocation (ix)	1,001,403	-	-	-	-	-	-	-
Warrants exercised	3,712,500	7,348,284	(3,712,500)	-	-	-	-	7,348,284
Broker warrants exercised	360,000	412,668	(360,000)	-	-	-	-	412,668
Stock-based compensation	-	-	-	-	194,356	-	-	194,356
Stock options cancelled	-	-	-	-	(4,497)	4,497	-	-
Net loss for the period	-	-	-	-	-	-	(2,197,288)	(2,197,288)
Balance, November 30, 2006	43,424,019	83,016,015	2,065,090	1,532,352	189,859	4,497	(8,355,435)	76,387,288
Warrants exercised	1,792,465	13,788,911	(1,333,333)	(1,420,902)	-	-	-	12,368,009
Broker warrants exercised	122,625	140,707	(581,757)	(375,569)	-	-	375,569	140,707
Shares issued for services (viii)	25,000	346,250	-	-	-	-	-	346,250
SAD-ELEC - merger allocation (iv)	130,000	1,800,500	100,000	479,100	-	-	-	2,279,600
Private placements (v) (vi) (vii)	7,628,160	121,207,600	323,991	618,715	-	-	(6,738,028)	115,088,287
Warrants issued to executives (x)	-	-	1,525,000	3,886,929	-	-	-	3,886,929
Stock-based compensation	-	-	-	-	12,628,224	-	-	12,628,224
Stock options exercised	582,750	4,068,062	-	-	(1,516,665)	1,516,665	-	4,068,062
Net loss for the period	-	-	-	-	-	-	(12,485,479)	(12,485,479)
	53,705,019	224,368,045	2,098,991	4,720,625	11,301,418	1,521,162	(27,203,373)	214,707,877

(a) Capital stock

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

(i) On February 13, 2006, the group completed a non-brokered private placement financing of 2,666,666 units at \$4.29 per unit for gross proceeds of \$11,448,020. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole common share purchase warrant entitled the holder to purchase one common share of CIC at a price of \$6.90 for a period of one year from the listing date of CIC. These are valued as explained in (b) below.

(ii) On March 13, 2006, the group completed a private placement financing of 7,652,200 subscription receipts at \$6.90 per subscription receipt for the gross proceeds of \$52,800,180. In connection with this financing CIC paid to the Agents a cash commission of 6.0% of the total gross proceeds and issued broker warrants entitling the Agents to acquire up to 459,132 common shares of CIC at \$6.90 per share on or before March 24, 2007. These are valued as explained in (b) below.

(iii) Per the shareholders agreement between CIC and Meepong Investments (Pty) Limited on January, 3 2006, 49% of MPRL was transferred to CIC in return for 5,606,250 shares of US\$0.30 each issued by CIC, together with a cash payment of US\$2,000,000.

(iv) On December 20, 2006, CIC agreed to acquire Johannesburg-based Southern African Development Through Electricity (Pty) Ltd. ("SAD-ELEC") via a binding Sale of Business Agreement (the "Agreement").

SAD-ELEC is a consultancy group in the Southern African energy sector, with experience in providing energy-related advisory services to utilities, governments, major energy consumers, fuel suppliers and financiers. SAD-ELEC has served as a strategic advisor to CIC since August, 2005, focusing on legal, regulatory and utility issues, power market analysis, commercial

arrangements, and transmission integration for the Mmamabula Energy Project ("Mmamabula") into the Botswana and South African power grids.

Pursuant to the Agreement, a wholly-owned subsidiary of CIC purchased SAD-ELEC's "Core Business", effective January 1, 2007. This included SAD-ELEC's consulting, advisory and management business, along with the services of certain senior executives. The senior executives are managing key aspects of Mmamabula, in particular related to the planned implementation and operations phases. Certain of these executives, plus other SAD-ELEC personnel, have been temporarily seconded to the completion of existing contractual obligations of SAD-ELEC. Commercial terms of the Agreement included a cash payment of R6.5 million (approximately \$1.0 million) and the issuance of 130,000 common shares and 100,000 common share purchase warrants of CIC. Each warrant entitles the holder to purchase one common share of CIC at \$11.00 until January 1, 2009. Furthermore an additional amount of up to \$800,000 is payable on completion of a number of project-related milestones.

The entire purchase consideration of \$3,325,981 has been allocated to goodwill since there were no tangible or intangible assets acquired. This amount includes the following:

Cash payment of R6 500 000	\$1,047,005
Value of 130 000 shares	1,800,500
Value of 100 000 warrants	479,100
(Warrants are valued as explained (b) below)	

The purchase price allocation is preliminary and may be subject to change within the next financial year.

(v) On February 8, 2007 CIC announced that it had entered into a bought deal private placement with a syndicate of underwriters led by Westwind Partners Inc. The underwriters purchased, on a bought deal private placement basis, 2,200,000 common shares of the Group at a price of

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\$15.00 per share, for aggregate gross proceeds of \$33,000,000.

In connection with this financing CIC issued to the Agent warrants numbering 5% of the issued shares which entitle the Agent to acquire up to 110,000 common shares in CIC at \$15.26 per share by February 23, 2008. These warrants were subsequently cancelled.

(vi) On August 8, 2007 CIC announced that it had entered into a bought deal private placement with a syndicate of underwriters led by Westwind Partners Inc. The underwriters purchased on a bought deal private placement basis, 4,505,084 common shares of the Group at a price of \$16.25 per share, for aggregate gross proceeds of \$73,207,615. In connection with this financing CIC paid to the agents a cash commission of 4.75% of the gross proceeds in addition to issuing warrants numbering 4.75% of the shares issued which entitle the Agent to acquire up to 213,991 common shares in CIC at \$17.22 per common share by August, 23 2008.

(vii) On August 8, 2007 CIC announced that it had entered into a non-brokered private placement of 923,076 shares of the Group at a price of \$16.25 per share with an arm's length investor.

(viii) On March 2, 2007, CIC issued 25,000 shares to executive personnel as a joining fee.

(ix) Upon completion of the consolidation of CIC and Consolidated Ophir Ventures Inc. ("Ophir"), effective March 14, 2006 the issued and outstanding shares of CIC and Ophir were exchanged on a one to one basis for common shares of CIC and the common shares purchase warrants and broker warrants of Ophir were exchanged on a one for one basis from common share purchase warrants and broker warrants, respectively, of CIC.

(b) Warrants

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

2007		
Risk-free interest rate		3.86%
Dividend yield		0%
Volatility factor of the expected market price of the Group's shares		38.48%
Average expected warrant life (years)		4
Weighted-average grant date fair value of warrants granted during the year		\$ 6.076
2006		
Risk-free interest rate		6.00%
Dividend yield		0%
Volatility factor of the expected market price of the Group's shares		109%
Average expected warrant life (years)		1.1
Weighted-average grant date fair value of warrants granted during the year		\$ 0.789

As at November 30, 2007 warrants outstanding due to brokers' compensation warrants and share subscription warrants were as follows:

Number of Common Shares Subject to Warrants	Exercise Price	Expiry Date
110,000	\$15.26	23-Feb-2008
213,991	\$17.22	23-Aug-2008
150,000	\$8.06	31-Aug-2008
400,000	\$11.00	08-Dec-2014
100,000	\$11.00	01-Jan-2009
550,000	\$11.00	01-Jan-2015
200,000	\$11.00	01-Feb-2015
225,000	\$14.00	31-Jan-2015
150,000	\$16.25	14-Sep-2015
<u>2,098,991</u>		

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(x) These warrants were issued to executives to retain their services in the Group. Of the warrants issued, 200,000 were cancelled within the financial year before vesting, and the number of warrants disclosed is a net amount.

(c) Options

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

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

2007	
Risk-free interest rate	4.03%
Dividend yield	0%
Volatility factor of the expected market price of the Group's shares	38.89%
Average expected option life (years)	4
Weighted-average grant date fair value of options granted during the year	\$ 3.406
2006	
Risk-free interest rate	6.00%
Dividend yield	0%
Volatility factor of the expected market price of the Group's shares	109%
Average expected option life (years)	8
Weighted-average grant date fair value of options granted during the year	\$ 0.257

	<u>Options</u>	<u>Weighted average price</u>
Issued - April 17, 2006	3,025,000	\$6.90
Issued - July 26, 2006	890,000	\$8.00
Forfeited - April 17, 2006	(20,000)	\$6.90
Issued - November 2, 2006	110,000	\$8.61
Cancelled	(50,000)	\$6.90
	(40,000)	\$8.00
Balance November 30, 2006	3,915,000	\$7.19
Issued - December 22, 2006	427,000	\$8.61
Cancelled	(175,000)	\$6.90
Issued - March 2, 2007	352,500	\$15.82
Exercised - May 31, 2007	(299,000)	\$ 6.98
Issued - June 1, 2007	325,000	\$14.90
Exercised - August 31, 2007	(231,250)	\$ 7.00
Issued - October 1, 2007	115,000	\$16.25
Exercised - October 31, 2007	(52,500)	\$ 6.90
Forfeited	(12,500)	\$ 6.90
Forfeited	(11,250)	\$13.15
Forfeited	(15,000)	\$15.82
Balance November 30, 2007	4,338,000	\$9.38

Of the above options, the following options have vested and are exercisable at November 30, 2007:

Issued April 17, 2006.	1,662,500
Issued July 26, 2006.	253,500
Issued September 1, 2006.	150,000
Issued November 2, 2006.	55,000
Issued December 22, 2006.	134,666
Issued March 2, 2007.	84,375

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The stock options outstanding at November 30, 2007 expire as follows:			2007	2006
	Price	Number of options	Reconciliation of effective tax rate \$	\$
April 17, 2014	\$6.90	2,210,000	Loss before tax	(12,403,861) (2,142,020)
July 26, 2014	\$8.00	528,500	Tax rate BVI 0% (2006: 0%)	— —
September 01, 2014	\$8.00	300,000	Effect of foreign jurisdictions 1% (2006: 3%)	<u>81,618</u> <u>55,268</u>
November 2, 2014	\$8.61	35,000	Effective tax rate 1% (2006: 3%)	<u>81,618</u> <u>55,268</u>
November 2, 2014	\$14.00	75,000		
December 22, 2014	\$13.15	412,000		
March 2, 2015	\$15.82	337,500		
June 1, 2015	\$14.90	325,000		
October 1, 2015	\$16.25	<u>115,000</u>		
Total		<u>4,338,000</u>		

(b) The tax basis of the Group's Botswana and South African assets converted at year-end exchange rates results in a temporary difference, whereby the translated tax base is different than the Group's carrying value for accounting purposes. The tax effect of this temporary difference has not been recognised as a deferred tax asset, as future taxable income is more likely than not due to the risks associated with exploration ventures. These losses do not have expiry dates. The Group has an unrecognized assessed loss of \$73,352,313 (2006 - \$47,910,679).

The total stock compensation recognised in the Statement of Operations is \$7,524,340 (2006 - \$194,356) for the year ended November 30, 2007 and a further \$333,600 (2006 - \$0) under office and general expenses. \$8,657,213 (2006 - \$0) was capitalised to exploration properties.

Deferred tax assets can be summarised as follows:

	2007	2006
	\$	\$
Deductible temporary differences	12,413,990	7,694,479
Valuation allowance	<u>(12,413,990)</u>	<u>(7,694,479)</u>
	=	=

9. INCOME TAXES

(a) The income tax expense recognised in the statements of deficit is reconciled as follows:

		2007	2006
Current tax expense	%	\$	\$
BVI	0%	—	—
South Africa	29%	81,618	55,268
Botswana	15%	<u>—</u>	<u>—</u>
		<u>81,618</u>	<u>55,268</u>

Deductible temporary allowances consist of capitalized expenditure allowable for tax.

10. RELATED PARTY TRANSACTIONS

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

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	2007	2006
	\$	\$
Administrative services ¹	303,882	267,626
Consideration paid to original shareholders of Meepong Resources (Pty) Ltd. ²	–	4,225,195

- CIC carries on business outside Canada. CIC purchases administrative, advisory and investor relation services from a group that shares a common director to assist in fulfilling its ongoing obligations as a reporting issuer listed for trading on a stock exchange in Canada. On August 1, 2005, the Group entered into an administrative service agreement (the "Agreement") with Tau Capital Corp. ("Tau"). 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 group to pay a monthly service fee of US\$18,000 until the listing of the Group'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.
- The total consideration paid to acquire 100% of Meepong Resources (Pty) Limited (MRPL) from the original shareholders. (See Note 8a (iii)).

11. LOSS PER COMMON SHARE

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

	2007	2006
	\$	\$
Numerator – Basic and Diluted		
Net loss	<u>(12,485,479)</u>	<u>(2,197,288)</u>
Denominator - Basic and Diluted Weighted average number of shares	48,187,497	39,397,098
Basic and diluted loss per share	\$ (0.26)	\$ (0.06)

4,338,000 share options and 2,098,991 warrants have been excluded in the calculation as their exercise would be anti-dilutive.

12. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Change in non-cash working capital items

	2007	2006
	\$	\$
Other receivables	(242,656)	(252,182)
Deposits	(78,555)	–
Prepayments	(45,194)	(218,101)
Accounts payable and accrued liabilities	<u>(572,926)</u>	<u>1,880,859</u>
Change in non-cash working capital	<u>(939,331)</u>	<u>1,410,576</u>

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

	2007	2006
	\$	\$
Exploration properties	8,657,213	1,930,063

The non-cash movements in exploration properties for 2007 relate to stock based compensation costs capitalized. The 2006 movements relate to shares issued in CIC as part of the acquisition of MRPL.

13. COMMITMENTS

(a) Operating lease commitments

CIC Energy (South Africa) (Proprietary) Limited has future operating lease commitments for equipment and buildings amounting to \$5,031,550 ending November 30, 2015. Annual payments are:

	\$
2008	377,394
2009	487,587
2010	532,449
2011	581,453
2012	634,981
2013	693,451
2014	757,323
2015	827,097
2016	<u>139,815</u>
	<u>5,031,550</u>

(b) The Group has entered into an aircraft use agreement in terms of which a usage fee of \$2.3 million (plus inflation linked escalations) is payable over the next 5 years as follows:

	\$
2008	460,000
2009	460,000
2010	460,000
2011	460,000
2012	<u>460,000</u>
	<u>2,300,000</u>

14. SEGMENT REPORTING

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

15. CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of contractual commitments to past and current technical advisors on the project. These contingencies depend on project milestones including the conclusion of a power purchase agreement and financial close of the project. The aggregate of these contingent liabilities is an amount of \$ 5 million, most of which are likely to be capitalised when incurred.

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

Directors

Sandra Cowan
Mandla Gantsho
Reuel Khoza – Co-Chairman
Gregory Kinross
Len Konar
Blackie Marole
Adrian Meyer
Warren Newfield – Co-Chairman

Registered Head Office

Geneva Place
No 333 Waterfront Drive Road Town, Tortola
British Virgin Islands

Investor Relations Enquiries

c/o Tau Capital Corp
110 Sheppard Avenue East, Suite 610
Toronto, Ontario M2N 6Y8
Canada
Attention: Erica Belling
Telephone: (416) 361-9636
Facsimile: (416) 361-0330
Email: ebelling@taucapital.com

Management

Warren Newfield, CEO
Greg Kinross, President
Tore Horvei, COO
Craig McLeary, CFO

CIC Energy Corp.

Inanda Greens, Ground Floor, St. Andrews House
Albertyn Street, Wierda Valley
PO Box 784938,
Sandton 2146, South Africa
Tel: 2711-305-1810
Fax: 2711-783-2006

TSX symbol: ELC

BSE Name: CIC ENERGY

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