



**Consolidated Financial Statements  
for the years ended November 30, 2008 and 2007  
(Expressed in Canadian Dollars)**

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## Management's Responsibility for Financial Reporting

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

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

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

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

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

Warren E. Newfield, CEO  
February 27, 2009

Alexandrea I. Gatis, CFO

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## Auditors' Report

### To the Shareholders of CIC Energy Corp.

We have audited the consolidated balance sheets of CIC Energy Corp. as at November 30, 2008 and 2007 and the consolidated statements of operations and comprehensive loss, consolidated statements of retained deficit and consolidated statements of cash flows for the years ended November 30, 2008 and 2007. 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 audit.

We conducted our audit 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, 2008 and 2007 and the results of its operations and its cash flows for the years ended November 30, 2008 and 2007 in accordance with Canadian generally accepted accounting principles.

KPMG Inc.  
Registered Auditor

Per Nick van Niekerk  
Chartered Accountant (SA)  
Registered Auditor  
Director  
February 27, 2009

KPMG Crescent  
85 Empire Road  
Parktown  
Johannesburg  
South Africa

CIC Energy Corp.  
**Consolidated Balance Sheets**  
**At November 30, 2008 and 2007**

	Note	2008 \$	2007 \$
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	7	<b>85,820,323</b>	121,989,033
Other receivables	8	<b>932,560</b>	538,743
Deposits		<b>46,633</b>	78,555
Prepayments		<b>266,074</b>	<u>263,295</u>
		<b>87,065,590</b>	122,869,626
Non-current assets			
Property, plant and equipment	9	<b>1,783,132</b>	693,777
Goodwill	10	–	3,325,981
Coal- to-Hydrocarbons project	11	<b>3,932,819</b>	–
Mine infrastructure	12	<b>1,589,942</b>	1,047,131
Exploration properties	13	<b>121,435,029</b>	<u>90,370,012</u>
		<b><u>215,806,512</u></b>	<u>218,306,527</u>
<b>Liabilities and shareholders' equity</b>			
Current liabilities			
Accounts payable and accrued liabilities	14	<b>4,730,191</b>	3,298,884
Taxation liability		<b>335,732</b>	133,660
Rehabilitation provision	15	<b>1,659,520</b>	<u>166,106</u>
		<b>6,725,443</b>	3,598,650
Capital Stock	16	<b>220,198,812</b>	224,368,045
Warrants	16	<b>3,938,009</b>	4,720,625
Stock Options	16	<b>13,436,489</b>	11,301,418
Contributed Surplus	16	<b>7,033,587</b>	1,521,162
Retained Deficit	16	<b>35,525,828</b>	<u>27,203,373</u>
<b>Shareholders' equity</b>	16	<b><u>209,081,069</u></b>	<u>214,707,877</u>
		<b><u>215,806,512</u></b>	<u>218,306,527</u>
Future operations	1		
Commitments	21		
Contingent liabilities	23		
Subsequent event	24		

Approved on behalf of the directors:

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Warren E. Newfield

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Alexandrea I. Gatis

See accompanying notes to the consolidated financial statements.

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CIC Energy Corp.  
**Consolidated Statements of Operations and Comprehensive Loss**  
**For the years ended November 30, 2008 and 2007**

	Note	2008 \$	2007 \$
<b>Other income</b>			
Interest received		2,643,837	2,624,142
Management fees received		147,036	—
Profit on foreign exchange		<u>493,213</u>	<u>274,721</u>
		<u><b>3,284,086</b></u>	<u><b>2,898,863</b></u>
<b>Corporate and exploration expenses</b>			
Stock-based compensation	16	1,726,058	7,524,340
Office and general expenses		4,425,032	4,209,380
Personnel expenses		1,940,885	1,944,115
Impairment		1,780,403	832,316
Management fees		290,050	303,882
Listing subscription		87,588	136,364
Operating lease expenses		894,167	265,337
Depreciation		214,438	86,347
Interest paid		—	643
		<u><b>11,358,621</b></u>	<u><b>15,302,724</b></u>
Net loss before income taxes		<b>(8,074,535)</b>	(12,403,861)
Income taxes	17	<u><b>(224,521)</b></u>	<u>(81,618)</u>
Net loss and comprehensive loss for the year		<u><b>(8,299,056)</b></u>	<u><b>(12,485,479)</b></u>
<b>Basic and diluted loss per common share</b>	19	<u><b>\$ (0.15)</b></u>	<u><b>\$ (0.26)</b></u>

See accompanying notes to the consolidated financial statements.

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CIC Energy Corp.  
Consolidated Statements of Retained Deficit  
For the years ended November 30, 2008 and 2007

	Note	2008 \$	2007 \$
Retained deficit, beginning of year		(27,203,373)	(8,355,435)
Net loss for the year		(8,299,056)	(12,485,479)
Share issue costs		<u>(23,399)</u>	<u>(6,362,459)</u>
Retained deficit end of year	15	<u>(35,525,828)</u>	<u>(27,203,373)</u>

See accompanying notes to the consolidated financial statements.

CIC Energy Corp.  
**Consolidated Statements of Cash Flows**  
For the years ended November 30, 2008 and 2007

	Note	2008 \$	2007 \$
<b>Cash Flows from Operating Activities</b>			
Net loss		(8,299,056)	(12,485,479)
Items not affecting cash:			
Unrealised operational foreign exchange gain		(493,213)	(274,721)
Taxation expense		202,072	81,618
Depreciation		214,438	86,347
Cost of warrants issued to consultants		–	333,600
Movement in provisions		1,493,414	591,591
Impairment of assets		1,780,403	832,316
Stock-based compensation		1,726,058	7,524,340
Net operating working capital changes	20(a)	<u>1,066,633</u>	<u>(939,331)</u>
Net cash flow used in operating activities		<u>(2,309,251)</u>	<u>(4,249,719)</u>
<b>Cash Flows from Investing Activities</b>			
Additions to equipment		(1,303,793)	(580,830)
Mineral asset development expenditure		–	(899,572)
Mine infrastructure development		(542,811)	(1,047,131)
Coal-to-hydrocarbons project		(3,932,819)	–
Acquisition of SAD-ELEC	16(a)(ii)	–	(1,047,005)
Exploration properties expenditure		<u>(25,870,395)</u>	<u>(30,110,357)</u>
Net cash flow used in investing activities		<u>(31,649,818)</u>	<u>(33,684,895)</u>
<b>Cash Flow from Financing Activities</b>			
Proceeds from issue of share capital and warrants		476,763	137,784,378
Repurchase of shares		(2,663,005)	
Share issue expenses		<u>(23,399)</u>	<u>(5,771,696)</u>
Net cash flow (used in) / from financing activities		<u>(2,209,641)</u>	<u>132,012,682</u>
(Decrease) / Increase in cash and cash equivalents		<b>(36,168,710)</b>	94,078,068
Cash and cash equivalents at the beginning of year		<u>121,989,033</u>	<u>27,910,965</u>
Cash and cash equivalents at the end of year		<u>85,820,323</u>	<u>121,989,033</u>

Supplementary cash flow information is disclosed in note 20.

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, 2008 and 2007 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,
- Meepong Water (Proprietary) Limited ,
- Bon-Terra Mining (Proprietary) (Limited),
- SAD-ELEC (Proprietary) Limited,
- Meepong Resources (Mauritius) (Proprietary) Limited,
- Meepong Energy (Mauritius) (Proprietary) Limited,
- Meepong Resources (Proprietary) Limited,
- Meepong Energy (Proprietary) Limited,
- Meepong Services (Proprietary) Limited,
- CIC Resources (Botswana) (Proprietary) Limited, and
- Neap Tide (Proprietary) Limited.

As operations have not yet commenced and operating revenue is not being generated, the recent sharp reductions in commodity prices have not significantly impacted the Group's financial performance. The Group believes that the demand for power from the Mmamabula Energy Project ("MEP") will remain strong given the shortfall in generating capacity in southern Africa.

The development of the Mmamabula Energy Project will require the raising of significant debt financing. As a result of reduced lending activity by international commercial banks, the Group has adjusted the financing strategy for the Mmamabula Energy Project to place a greater emphasis on development finance institutions, who historically have been significant financiers

of projects such as the MEP and are less affected by the type of liquidity constraints being experienced by many international commercial banks.

## 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.

The significant accounting policies of the Group are the following:

### (b) Bases of consolidation

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

### (c) Translation of foreign currencies

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

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

### (d) Property, plant and equipment

Property, plant and equipment are 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.

**(e) Goodwill**

The Group recognise 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 recognised 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.

**(f) Coal-to-Hydrocarbons**

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

**(g) 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.

**(h) 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-development 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.

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

Long-lived assets subject to amortisation 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 recognised 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended November 30, 2008 and 2007.

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

### **(n) Stock-based compensation**

The Group has a stock-based compensation plan for agent options and compensation warrants, employees and property acquisition agreements, which 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.

### **(o) Equity issue expenses**

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

### **(p) Asset retirement obligation**

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

### **3. CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING POLICIES**

#### **3.1 CHANGES IN ACCOUNTING POLICIES**

##### *(a) Going Concern*

The Group has considered the amendments to CICA HB Section 1400 General Standards of Financial Statement Presentation. The amendments apply to interim and annual financial statements for the fiscal years beginning on or after January 1, 2008 and require the Group to carefully assess and disclose the material uncertainties that may put in question its ability to continue as a going concern. The Group has taken into account all available information about the future as well as other factors and concluded that the going concern basis of accounting is appropriate.

##### *(b) Inventories*

The Group adopted CICA Section 3031, Inventories, effective January 1, 2008. Section 3031 prescribes the accounting treatment of inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, and provides guidance on the cost formulas used to assign costs to inventories. These changes did not have a significant impact on the Group's financial position, earnings or cash flows.

##### *(c) Financial instruments, disclosure and presentation*

In October 2007, the CICA revised Handbook Section 3862, Financial Instruments, Disclosures and Section 3863, Financial Instruments, Presentation, effective for annual and interim periods beginning on or after October 1, 2007 although early adoption is permitted. These standards revise the current standards on financial instruments disclosures requiring entities to disclose, by class of financial instruments, information regarding the fair value of the instruments, qualitative and quantitative information about exposure, about credit risk, liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing how net income and other comprehensive income would be affected by reasonably possible changes in the market risk.

##### *(d) Capital disclosure*

In December 2006, the CICA published section 1535 of the Handbook, Capital disclosures, which requires disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. This information will enable financial statements' users to evaluate the entity's objectives, policies and processes for managing capital. The adoption of this standard is effective for fiscal years beginning on or after October 1, 2007. Disclosure relating to capital management is include in Note 5(iv)

#### **3.2 FUTURE ACCOUNTING POLICIES**

##### *(a) Goodwill and intangible assets*

In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets* which replaced existing Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development*. The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This Section will apply to interim and annual financial statements on January 1, 2009 and will be adopted on a retrospective basis. The Group does not expect that the adoption of this new standard will have any impact on its financial statement disclosures or result of operations.

##### *(b) Business Combinations*

In October 2008, the CICA issued Handbook section 1582, Business Combinations, which establishes new standards for accounting for business combinations. This is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The Group is considering early adoption to coincide with the adoption of International Financial Reporting Standards.

##### *(c) Non-Controlling Interest*

In October 2008, the Accounting Standards Board ("AcSB") issued Handbook section 1602, Non-controlling Interests, to provide guidance on accounting for non-controlling interests subsequent to a business combination. The section is effective for fiscal years beginning on or after January 2011.

*(d) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is

applicable to fiscal periods ending on or after January 12, 2009. The Group has evaluated the new section and determined that adoption of these new requirements will have no impact on the Group's consolidated financial statements.

#### 4. FINANCIAL ASSETS AND LIABILITIES

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

Financial Assets	2008		2007	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
<b>Financial Assets</b>				
(i) Cash & cash equivalents	85,820,323	85,820,323	121,989,033	121,989,033
(ii) Other receivable	498,853	498,853	22,098	22,098
(iii) Deposits	46,633	46,633	78,555	78,555
<b>Financial Liabilities</b>				
(iv) Accounts payable	4,634,253	4,634,253	3,298,884	3,298,884
(v) Provisions	1,659,520	1,659,520	166,106	166,106

- (i) Cash & cash equivalents: Recorded at cost.
- (ii) Other receivable and Accounts payable: Recorded at amortised cost. The fair value of other receivables is equivalent to the carrying amount given the short maturity period.
- (iii) Deposits: Recorded at cost.
- (iv) Accounts payable: Recorded at cost.
- (v) Provisions: Recorded at best estimate of cost.

#### 5. FINANCIAL RISK MANAGEMENT

##### Overview

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

- . credit risk
- . liquidity risk
- . market risk

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

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

##### (i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial

## 5. FINANCIAL RISK MANAGEMENT (continued)

instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

### *Other receivables*

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

### **(ii) Liquidity risk**

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

The Group has adequate cash, to the value of \$85 million, to service future cash requirements.

### **(iii) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group does not buy and sell derivatives.

### *Currency risk*

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

### *Interest rate risk.*

The interest rate risk is not hedged.

### **(iv) Capital Management**

The Group's objectives when managing capital are:

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

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

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

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

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

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain the debt-

## 5. FINANCIAL RISK MANAGEMENT (continued)

to-adjusted capital ratio at the lower end of the range 2:100 to 5:100, in order to limit monthly cash flow commitments and reduce dependency on uncertain financial markets.

<i>(all amounts in \$)</i>	2008	2007
Total Debt	6,725,443	3,598,650
Less: Cash & cash equivalents	(85,820,323)	(121,989,033)
Net Cash	<u>(79,094,880)</u>	<u>(118,390,383)</u>
Adjusted Capital	209,081,069	214,707,877
Debt-to-adjusted capital ratio	<u>-0.38</u>	<u>-0.55</u>

The increase in the debt-to-adjusted capital ratio during 2008 resulted primarily from the reduction in shareholders equity due to the buyback of share capital.

### INTEREST INCOME AND RISK

#### Recognised in net income

<i>(all amounts in \$)</i>	2008	2007
Interest income on bank deposits	<u>2,643,837</u>	<u>2,624,142</u>
Total interest income	<u>2,643,837</u>	<u>2,624,142</u>

#### Interest rate risk

##### Profile

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

<i>(all amounts in \$)</i>	2008	2007
<b>Variable rate instruments</b>		
Cash and cash equivalents	<u>85,820,323</u>	<u>121,989,033</u>

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and net income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

<i>(all amounts in \$)</i>	Net income		Equity	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
<b>November 30, 2008</b>				
Variable rate instruments	(858,000)	858,000	—	—
<b>November 30, 2007</b>				
Variable rate instruments	(1,220,000)	1,220,000	—	—

## 5. FINANCIAL RISK MANAGEMENT (continued)

### CURRENCY RISK

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

	November 30, 2008			November 30, 2007		
	CAD	BWP	ZAR	CAD	BWP	ZAR
Other Receivables	498,853	-	-	22,098	-	-
Cash and cash equivalents	82,702,619	5,323,299	14,861,787	120,389,860	3,178,654	7,451,875
Other payables	(4,634,253)	-	-	(3,298,884)	-	-
Gross balance sheet exposure	78,567,219	5,323,299	14,861,787	117,113,074	3,178,654	7,451,875

### Sensitivity Analysis

A 10 percent strengthening of the Canadian dollar against the abovementioned currencies at November 30 would have increased (decreased) equity and net income by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant (a 10 percent weakening of the Canadian dollar against the above currencies at November 30 would have had the equal but opposite effect). The analysis is performed on the same basis for 2008.

<i>(all amounts in \$)</i>	Equity	Profit or loss
<b>November 30, 2008</b>		
BWP	-	83,022
ZAR	-	(183,766)
<b>November 30, 2007</b>		
BWP	-	(50,750)
ZAR	-	(107,367)

## 6. SHARE CAPITAL

<i>(all amounts in number of shares)</i>	2008	2007
Issued, beginning of year	53,705,019	43,424,019
Issued	-	7,783,160
Repurchase of shares	(983,300)	-
Exercise of share warrants	-	1,915,090
Exercise of share options	60,750	582,750
Issued at end of the year	<u>52,782,469</u>	<u>53,705,019</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**7. CASH AND CASH EQUIVALENTS**

*(all amounts in \$)*

	<b>2008</b>	<b>2007</b>
Cash	5,811,540	2,980,885
Cash equivalents: Short-term deposits with initial maturities of less than three months	<u>80,008,783</u>	<u>119,008,148</u>
Cash and cash equivalents	<u>85,820,323</u>	<u>121,989,033</u>

**8. OTHER RECEIVABLES**

*(all amounts in \$)*

	<b>2008</b>	<b>2007</b>
Other receivables	498,853	22,098
VAT	<u>433,707</u>	<u>516,645</u>
	<u>932,560</u>	<u>538,743</u>

No allowances against receivables were accounted for.

**9. PROPERTY, PLANT AND EQUIPMENT**

*(all amounts in \$)*

<i><b>Owned assets</b></i>	<b>2008</b>			<b>2007</b>		
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
Property, plant and equipment	76,821	27,599	49,222	56,653	11,948	44,705
Motor vehicles	283,997	33,476	250,521	76,054	5,545	70,509
Office equipment and furniture	<u>740,605</u>	<u>190,545</u>	<u>550,060</u>	436,011	77,077	358,934
	<u>1,101,423</u>	<u>251,620</u>	<u>849,803</u>	568,718	94,570	474,148
 <i><b>Buildings</b></i>						
Bahamas office block	771,088	-	771,088	-	-	-
 <i><b>Leasehold improvements</b></i>						
Office suite improvements	<u>219,629</u>	<u>57,388</u>	<u>162,241</u>	219,629	-	219,629
	<u>2,092,140</u>	<u>309,008</u>	<u>1,783,132</u>	788,347	94,570	693,777

**10. GOODWILL**

*(all amounts in \$)*

**Owned assets**

	2008			2007		
	Cost	Accumulated depreciation/ impairment	Net book value	Cost	Accumulated depreciation/ impairment	Net book value
Goodwill on SadElec	3,325,981	3,325,981	–	3,325,981	–	3,325,981

**Reconciled as follows:**

	Balance, beginning of year	Additions	Depreciation	Disposals	Impairment*	Balance, end of year
<b>Owned assets</b>						
Goodwill on SadElec	3,325,981	–	–	–	3,325,981	–

\*Goodwill was impaired because expected future cashflows have become doubtful due to the current global financial crisis.

**11. COAL-TO-HYDROCARBONS PROJECT**

*(all amounts in \$)*

2008	Balance, beginning of year	Additions	Disposals	Balance, end of year
Mmamabula coal –to-hydrocarbons project	–	3,932,819	–	3,932,819

**12. MINE INFRASTRUCTURE**

*(all amounts in \$)*

2008	Balance, beginning of year	Additions	Disposals	Balance, end of year
Mmamabula Mine Infrastructure	1,047,131	542,811	–	1,589,942

  

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

**13. EXPLORATION PROPERTIES**

*(all amounts in \$)*

	<b>Balance, beginning of year</b>	<b>Additions</b>	<b>Disposals</b>	<b>Impairment</b>	<b>Balance, end of year</b>
<b>2008</b>					
Mmamabula	90,370,012	31,065,017	–	–	121,435,029
<b>2007</b>					
Mmamabula	52,134,810	39,041,548	–	806,346	90,370,012

**14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

*(all amounts in \$)*

	<b>2008</b>	<b>2007</b>
Accounts and other payables	3,882,627	2,873,399
Operating lease accrual	95,938	–
Legal costs	751,626	425,485
	<u>4,730,191</u>	<u>3,298,884</u>

**15. REHABILITATION PROVISION**

*(all amounts in \$)*

	<b>Balance, beginning of year</b>	<b>Provision raised</b>	<b>Disposals</b>	<b>Balance, end of year</b>
<b>2008</b>				
Rehabilitation provision	166,106	1,493,414	–	1,659,520
<b>2007</b>				
Rehabilitation provision	–	166,106	–	166,106

**Mmamabula - Botswana**

An environmental rehabilitation provision, determined by an independent specialist, has been made to restore all the exploration drilling boreholes. The measurement is based on actual drilling incurred and at the current cost of closing all exploration drilling boreholes. This provision is reassessed annually.

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

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**16. SHAREHOLDERS' EQUITY**

The following table outlines the continuity of shareholders' equity for the years ended November 30, 2008 and 2007:

	Capital stock (a)		Warrants (b)		Stock options (c)	Contributed surplus	Deficit	Total shareholders' equity
	#	\$	#	\$	\$			
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 (vi)	25,000	346,250	-	-	-	-	-	346,250
SAD-ELEC - merger allocation (i) (ii)	130,000	1,800,500	100,000	479,100	-	-	-	2,279,600
Private placements (iii) (iv) (v)	7,628,160	121,207,600	323,991	618,715	-	-	(6,738,028)	115,088,287
Warrants issued to executives	-	-	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)
Balance previously reported, November 30, 2007	53,705,019	224,368,045	2,098,991	4,720,625	11,301,418	1,521,162	(27,203,373)	214,707,877
Prior year adjustment *	-	(1,959,778) *	-	-	-	1,420,902 *	-	(538,876) *
Restated balance, November 30, 2007	53,705,019	222,408,267	2,098,991	4,720,625	11,301,418	2,942,064	(27,203,373)	214,169,001
Warrants cancelled/lapsed	-	-	(673,991)	(3,168,668)	-	3,168,668	-	-
Warrants issued to executives	-	-	325,000	100,564	-	-	-	100,564
Repurchase of shares (vii)	(983,300)	(2,663,005)	-	-	-	-	(14,626)	(2,677,631)
Stock-based compensation	-	-	-	2,285,488	3,057,926	-	-	5,343,414
Stock options exercised	60,750	453,550	-	-	(172,617)	172,617	(8,773)	444,777
Stock options cancelled / lapsed	-	-	-	-	(750,238)	750,238	-	-
Net loss for the period	-	-	-	-	-	-	(8,299,056)	(8,299,056)
Balance, November 30, 2008	52,782,469	220,198,812	1,750,000	3,938,009	13,436,489	7,033,587	(35,525,828)	209,081,069

\* Misallocation between capital stock and warrants which was erroneously not transferred to contributed surplus.

(a) Capital stock

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

(i) 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").

(ii) 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

**16. SHAREHOLDERS' EQUITY (continued)**

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)

Goodwill was impaired because expected future cashflows have become doubtful due to the current global financial crisis.

(iii) 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 \$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 expired.

(iv) 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. These warrants have expired.

(v) 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.

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

(vii) On September 18, 2008 CIC announced that its Board of Directors has approved open market share purchases of up to 5 percent of the common shares outstanding over a one year period, through a normal course issuer bid. This has been approved by the Toronto Stock Exchange on September 24, 2008. The intention of the share buyback is to create value for shareholders at current share price levels. Under this share buyback, CIC Energy purchased 2,663,005 of its common shares in the open market which represents about 5 percent of the issued and outstanding shares of 53,765,769 as of September 17, 2008. All shares purchased by the Company were subsequently cancelled.

**(b) Warrants**

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

2008	
Risk-free interest rate	3.77%
Dividend yield	0%
Volatility factor of the expected market price of the Group's shares	41.56%
Average expected warrant life (years)	4
Weighted-average grant date fair value of warrants granted during the year	\$ 4.68

**16. SHAREHOLDERS' EQUITY (continued)**

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	\$ 6.07

As at November 30, 2008 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
100,000	\$11.00	01-Jan-2009
200,000	\$11.00	08-Dec-2014
550,000	\$11.00	01-Jan-2015
200,000	\$11.00	01-Feb-2015
225,000	\$14.00	01-Mar-2015
150,000	\$16.25	14-Sep-2015
200,000	\$16.25	06-Jun-2016
125,000	\$8.00	07-Oct-2016
<u>1,750,000</u>		

These warrants will vest when certain milestones are achieved. None of the above warrants were exercisable at November 30, 2008.

(i) 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:

2008	
Risk-free interest rate	3.99%
Dividend yield	0%
Volatility factor of the expected market price of the Group's shares	39.27%
Average expected option life (years)	4
Weighted-average grant date fair value of options granted during the year	\$ 3.79
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

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**16. SHAREHOLDERS' EQUITY (continued)**

	<u>Options</u>	<u>Weighted average price</u>
<b>Balance November 30, 2006</b>	<b>3,915,000</b>	<b>\$7.19</b>
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
<b>Balance November 30, 2007</b>	<b>4,338,000</b>	<b>\$9.38</b>
Exercised –		
April 23, 2008	(5,000)	\$ 6.90
Exercised –		
May 07, 2008	(20,000)	\$ 6.90
Exercised –		
May 30, 2008	(2,000)	\$ 6.90
Exercised –		
June 10, 2008	(2,500)	\$ 6.90
Exercised –		
June 10, 2008	(31,250)	\$ 8.00
Issued –		
February 1, 2008	225,000	\$16.25
Issued –		
March 10, 2008	250,000	\$16.25
Issued –		
March 13, 2008	550,000	\$17.30
Forfeited	(268,750)	\$16.25
Forfeited	(27,500)	\$15.82
Forfeited	(25,000)	\$17.30
<b>Balance November 30, 2008</b>	<b>4,981,000</b>	<b>\$10.68</b>

Of the above options, the following options have vested and are exercisable at November 30, 2008:

Issued April 17, 2006.	2,080,500
Issued July 26, 2006.	497,250
Issued September 1, 2006.	300,000
Issued November 2, 2006.	110,000
Issued December 22, 2006.	150,666
Issued March 2, 2007.	232,500
Issued June 1, 2007.	112,500
Issued October 1, 2007.	113,750
Issued March 13, 2008.	<u>50,000</u>
	<u>3,647,166</u>

The exercise price of the above options is detailed in the table below as at November 30, 2008.

	Price	Number of options
April 17, 2014	\$6.90	2,080,500
July 26, 2014	\$8.00	497,250
September 01, 2014	\$8.00	300,000
November 2, 2014	\$8.61	35,000
November 2, 2014	\$14.00	75,000
December 22, 2014	\$13.15	412,000
March 2, 2015	\$15.82	310,000
June 1, 2015	\$14.90	325,000
October 1, 2015	\$16.25	115,000
February 1, 2009	\$16.25	56,250
March 10, 2016	\$17.30	250,000
March 13, 2016	\$17.30	<u>525,000</u>
<b>Total</b>		<u><u>4,981,000</u></u>

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**16. SHAREHOLDERS' EQUITY (continued)**

The total stock compensation recognised for the year ended November 30, 2008 amounted to \$5,343,414 (2007 - \$16,515,153). Stock-based compensation recognised in the Statement of Operations is \$1,726,058 (2007 - \$7,524,340) and a further \$3,617,356 (2007 - \$8,657,213) was capitalised to exploration properties. No stock-based compensation was recorded under office and general expenses for 2008 (2007 - \$333,600).

**17. INCOME TAXES**

(a) The income tax expense recognised in the statements of operations is detailed below: *(all amounts in \$)*

		2008	2007
<b>Current tax expense</b>	<b>%</b>		
BVI	0%	-	-
South Africa	29%	219,283	81,618
Botswana	15%	<u>5,238</u>	-
		<u>224,521</u>	<u>81,618</u>
		<b>2008</b>	<b>2007</b>
<b>Reconciliation of effective tax rate</b>			
<i>(all amounts in \$)</i>			
Loss before tax		(8,074,535)	(12,403,861)
Tax rate BVI			
0% (2007: 0%)		-	-
Effect of foreign jurisdictions			
3% (2007: 1%)		<u>224,521</u>	<u>81,618</u>
Effective tax rate			
3% (2007: 1%)		<u>224,521</u>	<u>81,618</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 because future taxable income is uncertain due to the risks associated

with exploration ventures. These losses do not have expiry dates. The Group has an unrecognised assessed loss of \$118,170,328 (2007 - \$73,352,313).

Deferred tax assets can be summarised as follows:

<i>(all amounts in \$)</i>	2008	2007
Deductible temporary differences	17,725,549	12,413,990
Valuation allowance	<u>(17,725,549)</u>	<u>(12,413,990)</u>
	=====	=====

Deductible temporary allowances consist of capitalised expenditure allowable for tax.

**18. 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:

	2008	2007
<i>(all amounts in \$)</i>		
Administrative services <sup>1</sup>	290,050	303,882

1. 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, It was renewed to July 31, 2009 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

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**18. RELATED PARTY TRANSACTIONS  
(continued)**

calls for Tau to be paid a monthly service fee of US\$23,000.

**19. LOSS PER COMMON SHARE**

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

<i>(all amounts in \$)</i>	<b>2008</b>	<b>2007</b>
Numerator - Basic and Diluted		
Net loss	<u>(8,299,056)</u>	<u>(12,485,479)</u>
Denominator - Basic and Diluted Weighted average number of shares	53,647,258	48,187,497
<b>Basic and diluted loss per share</b>	<u>\$ (0.15)</u>	<u>\$ (0.26)</u>

4,981,000 share options and 1,750,000 warrants have been excluded in the calculation as their exercise would be anti-dilutive.

**20. SUPPLEMENTARY CASH FLOW  
INFORMATION**

(a) Change in non-cash working capital items

<i>(all amounts in \$)</i>	<b>2008</b>	<b>2007</b>
Other receivables	(393,817)	(242,656)
Deposits	31,922	(78,555)
Prepayments	(2,779)	(45,194)
Accounts payable and accrued liabilities	<u>1,431,307</u>	<u>(572,926)</u>
Change in non-cash working capital	<u>1,066,633</u>	<u>(939,331)</u>

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

<i>(all amounts in \$)</i>	<b>2008</b>	<b>2007</b>
Exploration properties	3,617,356	8,657,213

The non-cash movements in exploration properties for 2008 and 2007 relate to stock-based compensation costs capitalised.

(c) Supplemental cash flow disclosure

<i>(all amounts in \$)</i>	<b>2008</b>	<b>2007</b>
Interest received	2,643,837	2,623,499
Income taxes paid	202,072	81,618

**21. COMMITMENTS**

(a) Operating lease commitments

CIC Energy (South Africa) (Proprietary) Limited has future operating lease commitments for equipment and buildings amounting to \$4.65 million ending November 30, 2015. Annual payments are:

	<b>\$</b>
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>4,654,156</u>

(b) Operating lease commitments

Meepong Resources (Proprietary) Limited has future operating lease commitments for equipment and buildings amounting to \$60 136 ending May 30,2010. Annual payments are:

	<b>\$</b>
2009	40,091
2010	<u>20,045</u>
	<u>60,136</u>

(c) The Group has entered into an aircraft use agreement in terms of which a usage fee of \$1.84 million (plus inflation linked escalations) is payable over the next 5 years as follows:

	<b>\$</b>
2009	460,000
2010	460,000
2011	460,000
2012	<u>460,000</u>
	<u>1,840,000</u>

## **22. SEGMENT REPORTING**

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

## **23. CONTINGENT LIABILITIES**

The Group has contingent liabilities in respect of contractual commitments to past and current advisors on the project. These contingencies depend on project milestones including the conclusion of a power purchase agreement and financial close of the project. The aggregate of these contingent liabilities is an amount of \$ 21.5 million, most of which are likely to be capitalised when incurred.

## **24. SUBSEQUENT EVENT**

The 100,000 warrants issued at \$11 per share to SAD-ELEC as part of the acquisition agreement (refer note 15(a)(ii)) and still outstanding at year-end has expired on January 1, 2009.

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

**Directors**

Sandra Cowan  
Gregory Kinross - President  
Len Konar  
Blackie Marole  
Adrian Meyer  
Warren Newfield – Chairman

**Management**

Warren Newfield, CEO  
Greg Kinross, President  
Tore Horvei, COO  
Alexandrea I. Gatis, CFO

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