CIC ENERGY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended August 31, 2006

Dated: October 12, 2006.

TABLE OF CONTENTS

Unless otherwise indicated all funds in this document are in Canadian Dollars.

1. Forward-Looking Statements

This management's discussion and analysis ("MD&A") contains certain "forward-looking statements". All statements, other than statements of historical fact, that address activities, events or developments that CIC Energy Corp. ("CIC" or the "Company") believes, expects or anticipates will or may occur in the future are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Such forward-looking statements include, among other things, statements relating to the Mmamabula Energy Project ("Mmamabula" or the "Project") with respect to estimates and/or assumptions in respect of mineral resources, mineral resource qualities, targets, future production, goals, objectives, plans and future economic, market and other conditions. Forward-looking statements are subject to significant risks and uncertainties and other factors that could cause the actual results to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: failure to complete a positive bankable feasibility study on the Mmamabula Energy Project; the grade, quality and recovery of coal which is mined varying from estimates (the mineral resource figures referred to in this MD&A are estimates and no assurances can be given that the indicated levels of coal will be produced); fluctuations in coal and electricity prices; inflation; changes in exchange rates; delays in the development of the Mmamabula Energy Project caused by unavailability of equipment, labour or supplies, climatic conditions or otherwise; delays or failures in obtaining regulatory permits and/or licences respecting mining, power generation and/or power transmission lines; availability of water at cost effective prices; inability to enter into a power purchase agreement ("PPA") and/or transmission agreement with Eskom Holdings Limited or other requisite agreements; inability to enter into joint venture agreements with an independent power producer and a major mining company to develop and operate the proposed power station and/or coal mine and/or failure to raise additional funds to finance such development; political risks arising from operating in Africa; or other factors (including exploration, development and operating risks). Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

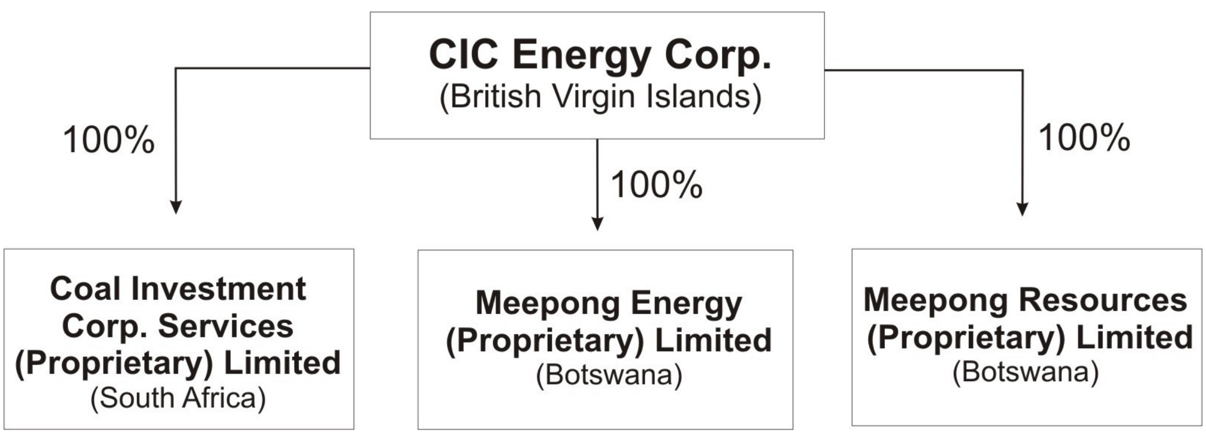
2. Introduction

Coal Investment Corp. was incorporated on March 10, 2005 under the International Business Companies Act in the Territory of the British Virgin Islands. CIC was established under the International Business Companies Act in the Territory of the British Virgin Islands pursuant to the consolidation of Coal Investment Corp. and Consolidated Ophir Ventures Inc. ("Ophir"), effective March 14, 2006. The common shares of CIC commenced trading on the Toronto Stock Exchange ("TSX") on March 23, 2006 under the symbol ELC. On June 5, 2006 the common shares of CIC were listed on the Botswana Stock Exchange ("BSE") under the name "CIC ENERGY".

The registered office and head office of CIC are each located at Geneva Place, Second Floor, 333 Waterfront Drive, Wickham's Cay, Road Town, Tortola, British Virgin Islands. The address for service of CIC in Canada is at 110 Sheppard Avenue East, Suite 610, Toronto, Ontario, Canada, M2N 6Y8 (Attention: Tau Capital Corp.). The Botswana address is 1st Floor, Victoria House, Plot 132, Independence Avenue, Gaborone, Botswana.

This MD&A has been prepared to give shareholders an assessment of not only what the Company has accomplished during the third quarter, but also what management initiatives have been taken to increase shareholder value for the future.

The following diagram illustrates CIC's principal subsidiaries, together with the jurisdiction of incorporation of each company:



The discussion and analysis of the financial condition of CIC for the three and nine months ended August 31, 2006 should be read in conjunction with the unaudited consolidated financial statements and related notes for CIC and its wholly-owned subsidiaries, Coal Investment Corp. Services (Proprietary) Limited, Meepong Resources (Proprietary) Limited ("Meepong Resources") and Meepong Energy (Proprietary) Limited ("Meepong Energy") for the three and nine months ended August 31, 2006. Historical results, including trends which might appear, should not be taken as indicative of future results.

All financial information reported herein for the three and nine months ended August 31, 2006, is unaudited.

3. Description of the Business and Summary of Recent Activities

CIC was established to engage in the exploration, development and operation of two greenfields coal properties located in the Mmamabula Coalfields in southeastern Botswana. Each of the properties is held 100% by CIC's wholly-owned Botswana subsidiary, Meepong Resources.

The two coal properties are the 50,840 hectare ("ha") Coal Prospecting Licence No. 11/2004 ("Mmamabula East") and the 14,000 ha Coal Prospecting Licence No. 75/2002 ("Mmamabula South"). Collectively, these two non-contiguous licence areas are referred to as the "Mmamabula Energy Project". Meepong Resources is currently exploring and developing the Mmamabula Energy Project with the intention of defining coal resource estimates which may be suitable as thermal coal for an integrated mine-mouth coal-fired power station. Mineral resources have been reported by CIC for two areas within Mmamabula East, namely the Mookane Block and the Dovedale Block. These resource estimates are discussed further below.

The Southern African region is expecting major peaking power shortages to begin as early as 2007 and major baseload generation capacity shortages to begin as early as 2011 according to, among others Absa Bank of South Africa Limited (a subsidiary of Barclays Bank). Based on this projected upcoming power deficit, the Southern African regional utilities, including Eskom Holdings Limited ("Eskom"), South Africa's national electrical utility, are promoting new projects and will require additional power to meet their requirements. To address the projected power shortfall, CIC is currently conducting a Bankable Feasibility Study ("BFS") for an integrated 13.5 million tonne ("Mt") per annum coal mine and associated 3,600 mega watt ("MW") power station to commence providing electricity to the Southern African power grid in 2011. Commercial production is envisaged to be six units of 600 MW each, with one unit coming on line every six months commencing in the first quarter of Fiscal 2011. Tonnages may exceed 13.5 Mt and has been increased from the previously reported 12 Mt as the consumption of coal is dependant on the coal specification to be agreed in the fuel supply agreement and on the operating regime of the power station that is proposed to be base load.

CIC's principal business objective is to develop and operate an integrated mine-mouth power station at the Project. Shareholder value through the generation of cash flow is planned to come from the direct development of the Project.

Mmamabula is well-placed to meet the objective of CIC and the project is being pursued at an accelerated rate. The proposed power station site at Mmamabula is some 80 km west of Eskom's 3,690 MW (net capacity) Matimba Power Station in South Africa and the site has excellent infrastructure, with proximity to road, rail, and power.

4. Qualified Persons and Technical Report

Exploration on the Project is being conducted under the supervision of Mr. Patrick G. Cochran. Mr. Cochran, a self-employed Consulting Geologist, independent of CIC, is a registered Professional Natural Scientist with the South African Council for Natural Scientific Professions and a "Qualified Person", as such term is defined in National Instrument 43-101 ("NI 43-101"). Mr. Cochran has reviewed and approved the technical information in this MD&A.

The "Qualified Person", as such term is defined in NI 43-101, responsible for the preparation of the Technical Report was Mr. Derek J. Loveday, an employee of Snowden Mining Industry Consultants ("Snowden"). Mr. Loveday is a registered Professional Natural Scientist with the South African Council for Natural Scientific Professions

An independent technical report on the Project entitled "CIC Energy Corp.: Mmamabula Energy Project, Southeastern Botswana, Project No. J889, Third Technical Report" (the "Technical Report"), dated July 21, 2006, containing the current mineral resource estimate for the Mookane Block and other information regarding the Project, has been filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") and may be accessed at www.sedar.com. An updated independent technical report is currently being prepared for the Company, by Snowden Mining Industry Consultants ("Snowden") and will be filed on SEDAR when completed.

5. Exploration Properties

(a) Adjacent Properties

Mmamabula is situated within the greater Mmamabula Coalfields in southeastern Botswana. The Mmamabula Coalfields form the western extension of South Africa's Waterberg Coalfield. No operating mines have been established to date within the Mmamabula Coalfields. However, the Waterberg Coalfield is host to South Africa's largest coal mine, the 16 Mt per annum Grootegeluk Colliery, located approximately 80 km east of Mmamabula and owned by Kumba Resources Limited ("Kumba"). The Grootegeluk Colliery provides feed for the nearby 3,690 MW Matimba power station, owned and operated by Eskom.

(b) Mmamabula East

Mmamabula East is located in Botswana, 120 km to the north of the capital city of Gaborone. The property lies between Botswana's main paved highway, which runs from Gaborone to Francistown, and the border with South Africa. Secondary unpaved roads facilitate access on the property.

The Mmamabula East coal prospecting licence was granted to Meepong Investments (Proprietary) Limited ("Meepong Investments") on April 1, 2004 and subsequently transferred from Meepong Investments to Meepong Resources. The coal prospecting licence is valid for a period of three years and prior to the end of 2006, Meepong Resources intends to apply for a mining licence for Mmamabula East.

Topography on the project area is subdued, with surface elevations varying between 800 and 1,000 m above mean sea level. The region is semi-arid and is characterized by savannah grasslands, shrubs and trees. The Serorome River course runs through the licence area. However, this river only flows occasionally during the rainy season (November to April) and is dry for the remainder of the year. Villages within the area of influence of the licence area are Dovedale, Mapashalela, Mookane and Dibete. In addition, there are several privately owned farms along the eastern frontier in the Dovedale Block.

The coal seams at Mmamabula East occurs within the Dibete Formation of the Upper Ecca Subgroup and Mmamabula Formations of the Middle Ecca Subgroup. The D1 seam of the Dibete Formation and M2 seam of the Mmamabula Formation have been identified from previous exploration undertaken by British Petroleum's Coal Division ("BPCD") as having the best potential to be economically extracted. CIC identified the potential value of the D1 and M2 seams, and used BPCD's information as a basis for the funding and implementation of an infill drilling and sampling program in 2005 and 2006.

Phase I drilling was completed in February 2006 and concentrated in the Mookane Block. A Phase II drilling program, which concentrated on the Dovedale Block was completed at the end of July 2006. Results of these exploration programs and the resultant mineral resource estimates for Mmamabula East are discussed under item 6 of this MD&A. A Phase III drilling program has commenced in the Serorome Block, located between the Mookane and Dovedale Blocks.

CIC is currently assessing the water demands of the Project and potential sources of water. Water is anticipated to be sourced from a combination of groundwater, surface sources and mine dewatering. By 2011 (when commercial production of the Project is planned to commence), much of the water for the Project is planned to be sourced from the North-South Carrier II, a proposed water pipeline which will transport water from northern Botswana.

(c) Mmamabula South

Mmamabula South is located approximately 15 km southwest of Mmamabula East. The property is transected by the country's main paved highway, which runs from Gaborone to Francistown. Secondary unpaved roads facilitate access on the property.

The Mmamabula South renewal coal prospecting licence was granted to Meepong Resources in July , 2005 and is valid for a period of two years. The Mmamabula South licence expires on June 30, 2007, subject to renewal.

Infrastructure, elevation, topography, fauna, and water are comparable to that described for Mmamabula East above.

Exploration drilling at Mmamabula South by Meepong Resources as part of the Phase II exploration program is described in greater detail under item 6 of this MD&A. This work is designed to provide an initial test of this portion of the Mmamabula Energy Project, expected to be of a level at which a mineral resource estimate can be prepared by November 2006.

6. Exploration

A 31,191 metre ("m"), 283 hole Phase I diamond drill program was conducted on the Mookane Block of Mmamabula East from June, 2005 to February, 2006. The results of this drill program, along with those from exploration by BPCD between 1981 and 1987 on what is now Mmamabula East, were used as the basis for an initial mineral resource estimate by Snowden for Mmamabula. This initial mineral resource estimate for the Mookane Block was consistent with Management's expectations. On June 22, 2006, CIC announced an updated mineral resource estimate for the Mookane Block, which is set out in the Technical report. This was followed by an announcement of the first mineral resource estimate for the Dovedale Block on September 7, 2006 which was also consistent with Management's expectations. A summary of mineral resource estimates for the Project to date is presented in the following table.

Mmamabula Mineral Resource Estimate Summary

Mookane Block: D1 + M2 Seams Mineral Resource Estimate[1]
(effective date: June 7, 2006)

Category	Tonnage (Mt)
Measured	597.07
Indicated	55.52
Measured + Indicated (total)	652.59
Inferred	5.09

Dovedale Block: D1 + M2 Seams Mineral Resource Estimate[2]
(effective date: September 4, 2006)

Category	Tonnage (Mt)
Measured	507.03
Indicated	132.91
Measured + Indicated (total)	639.94
Inferred	73.34

Dovedale and Mookane Blocks: D1 + M2 Seams Global Mineral Resource Estimate

Category	**Tonnage (Mt)**
Measured	**1,104.10**
Indicated	**188.43**
Measured + Indicated (total)	**1,292.53**
Inferred	**78.43**

[1] see CIC news release dated June 22, 2006; effective date June 7, 2006; based on 0% geological loss; raw coal calorific values ("CV") of approximately 21.3 mega joules per kilogram ("MJ/kg") to 21.9 MJ/kg for the D1 horizon and 23 MJ/kg for the M2 seam

[2] see CIC news release dated September 7, 2006; effective date September 4, 2006; based on 2% geological loss; raw coal CV of approximately 21.4 MJ/kg to 21.6 MJ/kg for the D1 horizon and 24.3 MJ/kg to 24.5 MJ/kg for the M2 seam

The current mining method proposed for the mineral resources is conventional underground bord and pillar using continuous miners ("CM"). Alternative mining methods aimed at optimizing resource utilization are being investigated.

Sensitivity analyses for a selective mining option of the D1 seam, termed the D1S horizon, have also been prepared. This D1S horizon is equivalent to the D1M horizon reported in the initial mineral resource estimate for the Mookane Block. The mineral resource estimate for the D1S horizon in the Mookane Block consists of 310.27 Mt in the measured and indicated categories and 4.14 Mt in the inferred category and for the Dovedale Block consists of 180.82 Mt in the measured and indicated categories and 18.12 Mt in the inferred category (see table below). This select horizon, which represents the optimal mining horizon within the D1 seam, and which is conducive to conventional underground bord and pillar CM, is based on leaving at least one metre of roof coal to ensure roof stability and, where present, poorer quality floor and additional roof coal.

Sensitivity Analyses, Mookane and Dovedale Blocks

D1S Horizon Mineral Resource Estimate, Mookane Block

Category	**Area (ha)**	**Average Width (m)**	**Tonnage (Mt)**
Measured	4,048	4.78	287.69
Indicated	311	4.69	22.58
Measured + Indicated (total/average)	4,359	4.77	310.27
Inferred	54	4.52	4.14

D1S Horizon Mineral Resource Estimate, Dovedale Block

Category	Area (ha)	Average Width (m)	Tonnage (Mt)
Measured	4,507	2.09	148.94
Indicated	932	2.18	31.88
Measured + Indicated (total/average)	5,439	2.11	180.82
Inferred	545	2.08	18.12

Additional information with respect to mineral resource estimates for the Project is set out in the Company's news releases dated June 22, 2006 and September 7, 2006, copies of which can be obtained from Sedar.

Following completion of successful Phase I and Phase II diamond drill programs, the Companyt commenced a Phase III program in July 2006. The Phase III program is currently ongoing and is anticipated to be complete by the end of November 2006. The Phase III program includes eight rigs drilling a planned 12,000 m in 165 holes in the Serorome Block with the objective of determining inferred resources between the Mookane & Dovedale blocks and defining the boundaries of the blocks at Mmamabula East, as well as a further two rigs drilling a planned 2,000m in 20 holes at Mmamabula South. As at August 31, 2006 a total of 60,798m in 615 holes have been drilled on Mmamabula East and 14,095m in 127holes have been drilled at Mmamabula South. Phase III results are anticipated to be used in the preparation of a further independent mineral resource estimate for Mmamabula East. Results of this mineral resource estimate are expected to be received by CIC in January 2007. Mmamabula South is at an earlier stage of exploration than Mmamabula East and the current program is expected to result in sufficient information to prepare a mineral resource estimate for Mmamabula South by January 2007 upon completion of Phase III, a Phase IV drill program is planned to commence on the remainder of Mmamabula East, with additional holes planned for areas outside of the Mookane, Dovedale and Serorome Blocks where there is a potential for high quality coal. This drilling will also be conducted on an infill basis between 500 m and one km of the existing BPCD holes, with a view to achieving a maximum drillhole spacing of one km in the remainder of Mmamabula East.

7. Bankable Feasibility Study

On May 16, 2006, CIC announced its intention to complete a Bankable Feasibility Study ("BFS") for the Project, rather than completing a Pre-Feasibility Study ("PFS") as announced in an Ophir news release dated January 4, 2006 and discussed in greater detail in the Management Information Circular of Ophir dated February 1, 2006, each of which is available on the Company's SEDAR profile at www.sedar.com.

This decision was made as a result of positive exploration results that indicated that the Project could be expanded by 50%, from an approximately 8 Mt per annum coal mine with an associated 2,400 MW power station, to an approximately 12 Mt per annum coal mine with an associated 3,600 MW power station. Subsequent to this decision, the Project has been expanded to a 13.5 Mt per annum coal mine for reasons discussed under item 3 of this MD&A.

The BFS for the Project is anticipated to be completed by December 2006. The BFS will be comprised of a comprehensive series of studies by internationally recognized engineering and consulting firms independent of CIC, and will include:

- Resource modeling by Snowden,
- Mine planning by Snowden,
- Power station design and choice of technology by Black & Veatch,
- Infrastructure studies for mine, power plant and common infrastructure by Dowding, Reynard and Associates (Pty) Limited,
- Transmission and integration solution by Sad-Elec (Pty) Ltd. ("Sad-Elec"),
- Water and Environmental Studies by Environmental Resource Managers ("ERM") and Digby Wells and Associates,
- Groundwater studies by ERM,
- Surface water studies by Gibb Africa (Pty) Limited,
- Feasibility study on the North-South Carrier II by Bigen Africa (Pty) Limited,
- Market and Regulatory Studies by Sad-Elec,
- Financing plan and strategy by Absa Bank Limited ("Absa").

A key aspect of the BFS will be the conclusion of a Power Purchase Agreement ("PPA") with Eskom for substantially all of the power that is planned to be generated by the Mmamabula Energy Project. It is anticipated that a PPA of this nature would be for a period of up to 40 years. A separate PPA may also be signed with the Botswana Power Corporation ("BPC") but structured in such manner that any power within BPCs allocated off-take rights that BPC elects not to take will automatically be taken by Eskom, up to the maximum capacity of the power plant. However, to be able to develop the Project to its maximum potential, the project is dependent on concluding a long-term PPA with Eskom. CIC has a formalized relationship with Eskom through monthly Project Steering Committee meetings and a formal mandated PPA negotiation process, as well as regular project update sessions on a number of issues, including environmental impact studies in South Africa. On May 16, 2006 the Company announced the signing of a Memorandum of Understanding with Eskom with respect to the Project (see item 8 of this MD&A for further details.).

8. Memoranda of Understanding

On May 16, 2006, CIC announced the signing of a Memorandum of Understanding between the Company, Meepong Resources, and Eskom in regard to the Project. Under the terms of this Memorandum of Understanding, it is envisaged that the majority of the power generated by the Project could be sold to Eskom under a long-term PPA, subject to various terms and conditions including, *inter alia*, any off-take agreements with the BPC, the signing of an Inter-Governmental Memorandum of Understanding between South Africa and Botswana and an Inter-Utility Memorandum of Understanding between Eskom and BPC, and agreement with respect to tariff and quality of the power. On August 18, 2006, the Inter-Governmental Memorandum of Understanding referred to above was signed between the governments of Botswana and

South Africa to support and facilitate the realization of the Project. An Inter-Utility Memorandum of Understanding between BPC and Eskom is also being finalized, to further facilitate necessary formal interactions between CIC, BPC and Eskom.

The Steering Committee discussed under item 5 above has been established to, *inter alia,* oversee the progress of the BFS, the negotiation of a long-term PPA between Eskom and Meepong Energy and related transmission and operation agreements. A Technical Committee with representatives of CIC, Eskom and BPC has been formed, to support the PPA negotiation process.

On September 12, 2006, CIC announced the signing of a Memorandum of Understanding between CIC, Meepong Energy and the Government of Botswana. This Memorandum of Understanding sets out the process and requirements for CIC to obtain a generation license for Mmamabula, as well as stipulates the parties intention to negotiate a comprehensive Project Development Agreement framework to facilitate the realization and financing of the Project.

9. Regulatory

CIC's ability to own and operate a power station as an independent power producer ("IPP") is dependent on its ability to obtain a licence to generate and supply electricity (a "Generation Licence") under Botswana's *Electricity Supply Act*, 1973. CIC does not currently hold a Generation Licence although, CIC and Meepong and the Government of Botswana have signed a Memorandum of Understanding with respect to the proposed development of the Project (see item 8 above). This Memorandum of Understanding is based on the recognition by the Signatories of the requirement for new sources of baseload power generation in the Southern African region by 2010/2011 and the potential for Mmamabula to address this shortfall. The process to be followed for awarding a Generation License to Meepong Energy and the Botswana requirements in this regard are outlined in the Memorandum of Understanding.

Should CIC not secure a Generation Licence allowing it to operate as an IPP, in order to proceed with its plan to develop Mmamabula, its ability to commercialize the Project would be severely constrained.

CIC created Meepong Energy as a Botswana subsidiary that will own and operate the coal-fired power plant. Meepong Resources will own and operate the proposed coal mining operation. It is proposed that Meepong Energy and Meepong Resources will enter into an arm's-length fuel supply agreement, which will then give CIC the opportunity to enter into separate commercial arrangements with third parties in respect of each entity. CIC has entered into formal project development negotiations with a group of internationally recognized IPPs to develop and operate the proposed power station and a group of major mining companies and contract miners to develop and operate the proposed coal mine at Mmamabula. The objective of these negotiations is to conclude a separate agreement with a member of each of these two groups.

Over and above the Generation License and the Mining License that will be required by Meepong Energy and Meepong Resources respectively, other licenses and permits will be required in Botswana related to water supply, sorbent supply to the power plant, environmental compliance, and other related issues. Various transmission related agreements will also be required in Botswana.

At this point it is not expected that CIC and its subsidiary companies will require any licences in South Africa, as this will be the responsibility of Eskom as the power off-taker and owner and operator of the transmission system on the South African side of the border.

10. Appointments

CIC has appointed Clifford Chance Europe LLP ("Clifford Chance") as Project Finance Counsel. Clifford Chance is an international law firm with extensive project finance experience in the energy sector and will assist CIC in matters related to the completion of the BFS, agreements with governments and power utilities, engineering, procurement and construction ("EPC") contracts and project financing. Tabacks and Associates (Pty) Limited and Armstrongs are local counsel in South Africa and Botswana, respectively.

CIC has also appointed Investec Bank Limited ("Investec"), an international recognized specialist banking group, as equity advisor to the Company. Investec has been appointed in order to assist CIC in expeditiously concluding joint venture agreements with an IPP and a major mining company, to develop the Project.

CIC has engaged Absa, the largest banking group in South Africa (and a subsidiary of Barclays Bank PLC), as its financial advisor for the BFS, as well as a mandated debt advisor and arranger.

Marsh Limited, London, as been appointed Insurance Advisor to provide guidance to the Company on insurance and risk mitigation issues related to the project.

11. Settlement of Highland Star Group Dispute

On April 24, 2006, CIC announced that it had been served with an application for injunctive relief issued in Botswana by the "Highland Star Group" ("HSG") against Meepong Investments, CIC, Meepong Resources, and the original shareholders of Meepong Investments. This proceeding was a continuation of the dispute which was previously disclosed in the information circular of Ophir dated February 1, 2006.

On June 12, 2006, CIC announced that a settlement was reached in the dispute between the HSG and Meepong Investments, CIC, Meepong Resources, and the original shareholders of Meepong Investments.

Based on advice furnished by legal counsel, CIC remained confident that the HSG claims were unfounded and without merit both in fact and in law. Nevertheless, the Board of Directors decided that the rapid settlement of this matter was in the best interest of CIC. Without resolution to the dispute, it would be difficult to complete the project financing within CIC's planned timeframe, as counsel had advised CIC that it could take up to 24 months for the dispute to be finally resolved through the Botswana courts. Under the terms of the settlement, CIC paid the HSG a total of US$18,500,000. This payment was capitalized to exploration properties.

12. Critical Accounting Estimates and Accounting Policies

The consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles.

(a) Principles of consolidation

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

(b) Translation of foreign currencies

CIC'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.

(c) Property and equipment

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

(d) Exploration properties

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

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

(e) Income taxes

CIC accounts for income taxes using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amount and the tax basis of assets and liabilities.

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

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

(f) Use of estimates

The preparation of financial statements in conformity with Canadian 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 date of the consolidated financial statements and the reported amounts of revenues and expenses during the years. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, exploration properties, valuation allowances of receivables and stock based compensation. Actual results could differ from those estimates.

(g) Earnings (loss) per share

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

(h) Cash

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

(i) *Stock-based compensation*

CIC has a rolling ten percent stock option plan and under that plan issues stock options to directors, officers, employees and key consultants from time to time. Options granted may be exercised during a period not exceeding five years, subject to earlier termination under various circumstances. The options are non-transferable. The exercise price may not be less than the minimum price stipulated by applicable regulators.

CIC uses the Black-Scholes option pricing model to estimate a value for these options. This model, and other models which are used to value options, require inputs such as expected volatility, expected life to exercise and interest rates. Changes in any of these inputs could cause a significant change in the stock-based compensation expense charged in a period.

13. Disclosure of Outstanding Share Data

The following details the share capital structure as at October 12, 2006. These figures may be subject to minor accounting adjustments prior to presentation in future consolidated financial statements**.**

	Expiry Date	Exercise Price	Number	Total
Common Shares				43,324,021
Share Options	April 17, 2014 July 26, 2014	$6.90 $8.00	3,005,000 890,000	3,895,000
Common Shares subject to Warrants	July 21, 2007 March 23, 2007 August 31, 2008	$1.11* $6.90 $8.06	222,625 1,792,465 150,000	2,165,090
Total fully diluted number of shares				**49,384,111**

* Exercise price shown above are in US Dollars (US$1.00 = CA$1.11);

<u>Financing Activities</u>

On February 13, 2006, Coal Investment Corp. completed a non-brokered private placement financing of 2,666,666 units at $4.29 (US$3.75) per unit for gross proceeds of $11,448,020 (US$9,999,997.75). 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 Coal Investment Corp. at a price of $6.90 for a period of one year from the listing date of CIC.

On March 13, 2006, Coal Investment Corp. completed a private placement financing of 7,652,200 subscription receipts at $6.90 per subscription receipt with a syndicate of underwriters led by Westwind Partners Inc. and TD Securities Inc (the "Agents"). Gross proceeds of the financing totaled $52,800,180. Each subscription receipt, subject to certain conditions being met, entitled the holder to acquire one common share of Coal Investment Corp for no additional consideration. In connection with the financing, Coal Investment Corp. 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.

Upon completion of the consolidation of Coal Investment Corp. and Ophir, effective March 14, 2006: (i) the issued and outstanding shares of Coal Investment Corp. and Ophir were exchanged on a one to one basis for common shares of CIC; and (ii) the common share purchase warrants and broker warrants of Coal Investment Corp. were exchanged on a one to one basis for common share purchase warrants and broker warrants, respectively, of CIC.

Proceeds from these financings are intended to be used to conduct further drill testing of the Mmamabula Energy Project, finance a BFS and for management and administrative purposes. The ability to develop the Mmamabula Energy Project will depend on the Company's continued ability to raise necessary equity and/or debt financing and/or enter into joint venture agreements. If the Company is unable to raise or access the required funds, it may seek strategic alternatives to develop the project. The Company remains confident that it will be able to obtain the necessary financing to develop and operate an integrated mine-mouth power station at the project.

14. Capital Expenditure on Exploration Properties

	November 30, 2005 (audited)	Additions	August 31, 2006 (unaudited)
Mmamabula Energy Project (Botswana)	$3,736,109	$38,206,662	$41,942,771

The total amount includes exploration costs capitalised ($10,803,312) as well as the cost of purchasing 100% shareholding in Meepong Resources ($4,590,264).

15. Results of Operations

Review of Certain Operating Expenses

	Nine months to August 31, 2006 (unaudited)	Three months to August, 31, 2006 (unaudited)	Year ended November 30, 2005 (audited)
Administration	$2,572,689	$898,646	$464,941
Exploration and project evaluation	$25,433	-	-
Foreign exchange loss	$489,546	$598,893	
Listing expenses	$103,134	-	-

Administration breakdown:

	Nine months to August 31, 2006	Three months to August 31, 2006.
Audit and Accounting	$91,005	$19,878
General admin and office costs	$212,065	$76,967
Insurance	$130,596	$46,216
Investor Relations	$285,564	$129,577
Legal Costs	$784,372	$286,529
Management fee	$189,997	$87,332
Office rental and equipment	$67,773	$29,993
Salaries	$571,075	$192,359
Travel and accommodation	$240,242	$29,795

16. Financial Condition, Cash flow, Liquidity and Capital Resources.

(in thousands of $)

Cash Flow Highlights

	Nine months to August 31, 2006 (unaudited)	Three months to August 31, 2006 (unaudited)	Year ended November 30, 2005 (audited)
Operating activities	$(1,595)	$1,244	$808
Financing activities	$70,868	$3,439	$8,482
Investing activities	$(38,829)	$(27,990)	$(3,742)
Beginning cash balance	$5,548	$59,298	-
Net cash for the period	$30,444	$(23,306)	$5,548
Ending cash balance	$35,992	$35,992	$5,548

- Operating activities utilized $1,595,073 of cash in the nine months primarily due to cost of administration.
- Financing activities generated $70,868,221 through the issuance of securities through two private placements of Coal Investment Corp. in the reporting period (see item 13 for further details), and the exercise of 3,972,500 broker warrants.
- Investing activities utilized $38,829,253 of cash for the period primarily due to exploration activities on the Mmamabula Energy Project and the purchase of 100% of Meepong Resources.

The Company estimates total expenditure over the next twelve months to be less than $32,000,000. With the current cash and the value of warrants expiring before the end of March 2007, the Company has sufficient liquidity to sustain operations for a minimum of twelve months from the date hereof. The Company's working capital could be increased if currently outstanding warrants that expire before the end of March 2007 are exercised. Thereafter it may be necessary to raise additional funds by means of public equity issue.

17. Summary of Selected Quarterly Results

	Three months to August 31, 2006 (unaudited)	Three Months to May 31, 2006 (unaudited)	Three Months to February 28, 2006 (unaudited)	Nine Months to November 30, 2005 (audited)
Total Revenues	$801,008	$6,234	$12,163	$12,568
Net loss	$(702,445)	$(871,098)	$(806,560)	$(701,984)
Basic and diluted loss per share	$(0.02)	$(0.04)	$(0.03)	$(0.04)

18. Related Party Transactions

Included in the consolidated financial statements are payments made to companies under the control or significant influence of officers and directors of CIC. 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:

	Nine months to August 31, 2006 (unaudited)	Three months to August 31, 2006 (unaudited)	Nine Months to November 30, 2005 (audited)
Administrative services [a]	$189,997	$ 87,332	$137,464
Consideration paid and accrued to original shareholders of MRPL.[b]	$4,590,264	$4,590,052	$580,000

a CIC carries on business outside Canada. CIC purchases administrative, advisory and investor relations services from a company that shares a common director to assist in fulfilling its ongoing obligations as a reporting issuer listed for trading on a stock exchange in Canada.

b The consideration paid to acquire 100% MRPL from the original shareholders in terms of the Shareholders agreement.

c Coal Investment Corporate Services (Proprietary) Limited shares offices with AfriOre (Proprietary) Limited, the holding companies of both have a common director.

On August 1, 2005, Coal Investment Corp. entered into an administrative service agreement (the "Agreement") with Tau Capital Corp. ("Tau"); the obligations of such Agreement were adopted by CIC. 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 Coal Investment Corp. to pay Tau a monthly service fee of US$18,000 until the listing of the Company's shares on a Canadian stock exchange. Subsequent to listing of CIC's shares on the TSX on March 23, 2006, the Agreement provides that Tau shall be paid a monthly service fee of US$23,000 for administration, advisory and investor relations services. This agreement can be terminated by CIC giving 180 days written notice. For the nine month period ended August 31, 2006, fees paid to Tau for administrative services were $189,997.

19. Risks

CIC is currently engaged in the development of a single substantial project involving the potential of establishing and operating a significant coal mine as well as the possibility of owning and operating one or more associated and integrated coal fired power plants. Due to the scale of operations envisaged by management, the success of the Project is dependent on the ability to either produce electricity from the coal mined, or sell coal to a power producer. Due to the envisaged size and scale of the Project, management is of the view that the Project is dependent on the ability to conclude a PPA with Eskom or, alternatively, to sell coal to a power producer, who, in turn, has or is able to secure a PPA with Eskom, or to sell coal to a power plant owned and operated by Eskom itself. In order to develop the Project to its maximum potential without a PPA with Eskom, the IPP purchasing the coal must have a PPA with Eskom; otherwise, the scope of the mining operations will be significantly smaller. While other potential power purchasers exist in the region, Eskom is the only power purchaser that would have the capacity to acquire substantially all the power produced directly or indirectly by the Project and consequently the success of the project is dependent on the ability to conclude a PPA with Eskom, which is beyond the control of CIC.

The ability to generate power and sell the power to Eskom or, alternatively, to produce coal and sell such coal to an IPP is dependent on factors beyond the control of CIC, including, but not limited to, the price and volume of either coal or power produced and the targeted commercialization date. Anything which adversely affects price and volume of either coal or power and the targeted commercialization date could adversely affect the business, financial condition or results of operations of CIC.

Coal exploration is highly speculative in nature and involves many risks. Substantial expenditures are required to establish proven and probable reserves through drilling to determine the optimal extraction method for the coal seams, the beneficiation process needed to achieve the requisite coal quality and, in the case of new properties, to construct mining and processing facilities. There is no assurance that coal in sufficient quantities and having appropriate qualities and/or characteristics suitable for the proposed power station will be discovered or that the BFS will be positive and support a decision to develop the Project.

Establishment of a coal reserve and development of a coal mine does not assure a profit on the investment or recovery of costs. In addition, geological complexity, mining hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from a mine.

CIC's business is subject to a number of risks and hazards generally, including adverse environmental and climatic conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory regime, natural phenomena, flooding, delays or failures in obtaining required licences, permits and authorizations, supplies, machinery, equipment or labour and other risks typically associated with exploration, development and mining operations.

Although CIC maintains liability insurance in an amount that it considers consistent with industry practice for a company in the exploration and development stage, the nature of these risks is such that liabilities could exceed policy limits, in which event CIC could incur significant costs that could have a material adverse effect upon its financial condition.

CIC's ability (through its subsidiary Meepong Energy) to own and operate an electricity power station as an IPP is dependent on its ability to obtain a generation licence, which will be subject to the fulfillment of a number of conditions, one of these being that CIC is able to secure the services of a competent operator for the power plant. CIC's ability to obtain a generation licence is also subject to its ability to secure the necessary equity and debt financing for the power plant and to changes in regulations or relevant legislation and is subject to the discretion of government authorities. The inability of CIC to obtain a generation licence could have a material adverse effect on its operations and business.

Should CIC successfully secure a generation licence for the production of power from the coal it produces, CIC's profits, if any, will be directly related to the price of electricity it is able to supply to customers, which customer is primarily envisaged to be Eskom and BPC pursuant to long-term PPAs. The price and amount of power that may be sold under a PPA is beyond the control of CIC. There is a risk that CIC may not be able to sell all the power that can be generated by the power station, resulting in reduced income.

For the proposed electricity power station to deliver electric power, it will be necessary to construct and operate new power transmission lines to connect to the Southern African power grid. No assurance can be given that the optimal power line routing can be established, or that it can be established without incurring excessive cost. CIC can also not guarantee that Eskom will be able to construct the necessary power transmission infrastructure in South Africa in time for the Mmamabula power plant to commence operation as envisaged. As well, there is also a dispatch risk for the power that is generated, depending on the current status of the transmission network and other generation assets on the network. Unavailability of transmission networks to evacuate the power produced by the power plant, as well as other disturbances on the interconnected networks in the Southern African power grid could reduce the amount of electricity sold and as such impact on CIC's financial returns.

CIC's profits, if any, to be derived from its mining operations will be directly related to the volume and price of coal sold. If realized coal prices fall below the full cost of production and remain at such level for any sustained period, CIC will experience losses.

Coal mining, coal processing and power production activities of the scale envisaged by CIC can be demanding on water resources. The inability to secure access to sufficient water or, alternatively, to secure sufficient water at cost effective prices may have a negative impact on CIC's future profits.

All phases of the coal mining and power production business are subject to environmental regulation pursuant to a variety of local laws and regulations. Existing and possible future environmental and social impact legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in CIC's activities, the extent of which cannot be predicted and which may well be beyond its capacity to fund. Environmental laws are becoming more actively enforced. Environmental and social impact studies may be required for some operations, and significant fines and clean-up responsibilities may be assessed for companies causing damage to the environment in the course of their activities.

CIC's revenue from operations is expected to be received in South African Rand, while most of its operating expenses are expected to be incurred predominantly in Botswana Pula. Certain finance costs and obligations may be in other currencies. Accordingly, foreign currency fluctuations may adversely affect CIC's financial position and operating results. CIC does not currently engage in foreign currency hedging activities for operational purposes or otherwise. It is possible that significantly higher inflation in the future in Botswana, without a concurrent devaluation of the local currency against the South African Rand or United States Dollars, could have a material adverse effect upon CIC's results of operations and financial condition.

The exploration and development of the Project and the construction of mining facilities and commencement of mining operations and the construction of power generation facilities and power transmission and integration infrastructure (where applicable) and the commencement of power production activities will require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration, development or production on any or all of CIC's properties or even a loss of a property interest. The only sources of funds now available to CIC are through the sale of equity capital, sale of properties, issuance of debt or the entering into of joint ventures. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to CIC and might involve substantial dilution to existing shareholders. Failure to raise capital when needed would have a material adverse effect on CIC's business, financial condition and results of operations.

CIC's operations and its ability to hold various mineral rights require licences, permits and authorizations and, in some cases, renewals of existing licences, permits and authorizations from various governmental and quasi-governmental authorities. CIC's ability to obtain, sustain or renew such licences, permits and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable governmental and quasi-governmental bodies. No assurance can be given that CIC's properties are not subject to prior unregistered agreements or interests or undetected claims or interests which could be material and adverse to it. Additionally, mineral properties may carry with them significant development costs and abandonment and site restoration obligations for which CIC may or will become responsible in the future.

20. Outlook

CIC will continue to explore Mmamabula East and Mmamabula South during the balance of the fiscal year. Coincident with exploration activities, the Company intends to focus on completion of the BFS, as well as further pursue legal, commercial and regulatory issues that include a PPA with Eskom, progressing negotiations to secure an agreement with an independent mine operator, progressing negotiations to secure an agreement with an IPP, applying for a mining licence, obtaining a power generation licence, concluding other agreements related to transmission infrastructure in Botswana and South Africa, water supply arrangements in Botswana and continuing EPC arrangements for the construction of a power station.

21. Additional Information

Additional information relating to CIC has been filed on SEDAR and may be accessed at www.sedar.com.

Directors and Officers of CIC Energy Corp.

The board of directors of CIC consists of the following individuals: Sandra Cowan, Francis Crothers, Mandla Gantsho, Reuel Khoza, Gregory Kinross, Deenadayalen Konar, Blackie Marole, Elvidge Mhlauli and Warren Newfield. Reuel Khoza and Warren Newfield serve as Co-Chairs of the board of directors.

Senior management of CIC includes: Gregory Kinross as President and Chief Executive Officer, Sue Myburgh as Chief Financial Officer, and Francois Badenhorst as Chief Operating Officer.

A profile of each of these individuals (including their occupations for the previous five years) is set out in the Management Information Circular of Ophir dated February 1, 2006, as filed with the Canadian Securities Administrators on SEDAR.

Registered Head Office
Geneva Place, 2nd Floor
333 Waterfront Drive, Wickham's Cay
Road Town, Tortola, British Virgin Islands

Coal Investment Corp. Services (Proprietary) Limited
Inanda Greens, Ground Floor,
Augusta House, Unit No.6,

Tel: 212-386-5496
Fax: 212-386-5425
Email: info@cicenergy.com
Web: www. cicenergy.com

Albertyn Street, Wierda Valley
PO Box 784938, Sandton, 2146
South Africa
Tel: 27-11-305-1810
Fax: 27-11-783-2006

Investor Relations Enquiries
c/o Tau Capital Corp
110 Sheppard Avenue East, Suite 610
Toronto, Ontario M2N 6Y8
Canada
Attention: Fiona Childe
Tel: (416) 361-9636
Fax: (416) 361-3153
Email: fchilde@taucapital.com

Stock Exchange Listing
TSX symbol: ELC
BSE name: CIC ENERGY

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