



CIC ENERGY CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended August 31, 2010

Dated: October 13, 2010

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## 1. Introduction

The common shares of CIC Energy Corp. ("**CIC Energy**" or the "**Company**") commenced trading on the Toronto Stock Exchange ("**TSX**") on March 23, 2006 under the symbol ELC. On June 5, 2006 the common shares of CIC Energy were listed on the Botswana Stock Exchange ("**BSE**") under the name CIC ENERGY.

This Management's Discussion and Analysis ("**MD&A**") has been prepared for the three months and nine months ended August 31, 2010.

Additional information relating to CIC Energy, including the Company's Annual Information Form for the year ended November 30, 2009, has been filed on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and may be accessed at [www.sedar.com](http://www.sedar.com).

The discussion and analysis of the financial status of CIC Energy for the three months and nine months ended August 31, 2010 should be read in conjunction with the consolidated financial statements and related notes for CIC Energy and its wholly-owned subsidiaries for the three months and nine months ended August 31, 2010, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("**Canadian GAAP**"). Historical results, including trends which might appear, should not be taken as indicative of future results.

All financial information reported herein for the three months and nine months ended August 31, 2010 has not been audited. Unless otherwise indicated, all funds in this MD&A are in Canadian dollars.

## 2. Overall Performance

CIC Energy is a single business company focused on the development and operation of the "**Mmamabula Energy Complex**". CIC Energy remains a development stage enterprise and planned operations have not yet commenced and operating revenue has not yet been generated. The Mmamabula Energy Complex is planned to consist of (i) one or more mine-mouth coal fired thermal power station projects, with two such projects currently contemplated, (A) an approximately 1,320 mega-watt ("**MW**") (gross) power station project being targeted for the export of power to the South African market (the "**Mmamabula Energy Project**" or "**MEP**"), in respect of which development has been deferred, and (B) an approximately 300 MW (gross) power station project being targeted for domestic consumption in the Botswana market (the "**Mookane Domestic Power Project**" or "**MDPP**"), in respect of which development is currently ongoing, (ii) a coal gasification and hydrocarbon production project (the "**Coal-to-Hydrocarbons Project**" or "**CTH Project**"), and (iii) an export coal project (the "**Export Coal Project**"). Each of these projects is described in greater detail below. These projects are planned to be developed on the basis of three greenfield coal properties located in the Mmamabula coalfield in south-eastern Botswana.

In a news release of March 1, 2010, the Company announced that it had signed a non-legally binding Memorandum of Understanding with GCL Projects Limited, an affiliate of Golden Concord Holdings Limited for the purposes of pursuing the development of the Mookane Domestic Power Project.

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

In accordance with the terms of the MDPP Shareholders' Agreement, GCL Botswana and CIC International are in the process of forming a new holding company called GCL-CIC Mookane Power Holdings Corp. ("**Mookane Power Holdings**"), which will be 70% owned by GCL Botswana and 30% owned by CIC International. The MDPP will be developed by two Botswana project companies, Golden Concord Mookane Power (Proprietary) Limited ("**Mookane Power**"), which will develop and own the MDPP power station, and Golden Concord Mookane Minerals (Proprietary) Limited ("**Mookane Minerals**"), which will develop and own the MDPP mine. Each of Mookane Power and Mookane Minerals are currently wholly owned subsidiaries of CIC International, but in order to implement the project structure contemplated by the MDPP Shareholders' Agreement, ownership of Mookane Minerals will be transferred to Mookane Power, and the ownership of Mookane Power will in turn be transferred to Mookane Power Holdings, with the result that Mookane Power Holdings will be the beneficial owner of each of Mookane Power and Mookane Minerals.

In December 2009 the Company determined that it would be prudent to defer project development activities for the Mmamabula Energy Project unrelated to the regulatory approval process in South Africa until such time as the second integrated resource plan (referred to as the "**IRP2010**") has been approved and gazetted by the South African Department of Energy. Based on the Company's understanding of the Electricity Regulations on New Generation Capacity (the "**Regulations**"), an approval of the Mmamabula Energy Project by the South African Department of Energy will only be possible following the completion and gazetting of the IRP2010. The South African Department of Energy published a draft of the IRP2010 for public consultation and comment on October 8, 2010, with such public consultation period scheduled to end on November 10, 2010. The Company is currently evaluating the contents of the draft IRP2010, with the intention of participating in the public consultation process. Following the public consultation period, the draft IRP2010 will be revised as necessary, with the revised draft IRP2010 to be tabled in cabinet for approval prior to being published in the South African Government Gazette by the Minister of Energy by the end of calendar year 2010. The Company intends to reassess the project development program for the MEP at that point in time.

The loss for the three months ended August 31, 2010 was \$1.5 million compared to a loss of \$3.3 million for the same period in the prior year.

The Company's cash and cash equivalents are considered to be adequate to fund the Company's ongoing personnel, office, lease and general expenses and committed third party costs through to at least August 31, 2011. Please see *Section 5: Liquidity* below for further details.

**3. Results of Operations**  
(Prepared in accordance with Canadian GAAP)

**Review of Operations**  
(in thousands of \$)

	Three months ended August 31, 2010 (Reviewed)	Three months ended August 31, 2009 (Reviewed)	Nine months ended August 31, 2010 (Reviewed)	Nine months ended August 31, 2009 (Reviewed)	Year ended November 30, 2009 (audited)
Interest received	3	144	50	1,416	1,064
Profit (loss) on foreign exchange	833	(1,095)	459	987	1,498
Total income	836	(951)	509	2,403	2,562
Office and general expenses	644	1,630	2,762	4,534	4,194
Personnel expenses	400	(132)	1,750	1,071	1,393
Stock based compensation	509	559	1,172	920	1,055
Impairment	-	-	-	-	-
Other expenses	662	296	1,481	1,036	1,357
Income taxes	129	-	319	112	218
Net profit / (loss)	(1,508)	(3,304)	(6,975)	(5,270)	(5,655)

The loss for the three months ended August 31, 2010 was \$1.5 million compared to a loss of \$3.3 million for the same period in the previous year.

The loss for the nine months ended August 31, 2010 was \$7.0 million compared to a loss of \$5.3 million for the same period in the previous year. This was due to reduced foreign exchange gains and smaller interest earned during the current period as compared to the same period in the previous year, as well as increased personnel expenses arising from staff retrenchment and a loss on disposal of fixed assets.

**Exploration Properties**

The Company indirectly holds two prospecting licences and one retention licence in the greater Mmamabula coalfield in south-eastern Botswana. The Mmamabula coalfield forms the western extension of South Africa's Waterberg coalfield. No operating mines have been established to date within the Mmamabula coalfield. However, the Waterberg coalfield is host to one of South Africa's largest coal mines, the 19 Mt per annum Grootegeluk Colliery, located approximately 80 kilometres ("**km**") east of Mmamabula and owned by Exxaro Resources Limited.

The two prospecting licences are designated as 75/2002 and 11/2004. The retention licence is designated as 2009/1R. Prospecting licence 11/2004 and retention licence 2009/1R are together referred to in this MD&A as "**Mmamabula East**", prospecting licence 75/2002 is referred to in this MD&A as "**Mmamabula South**", and Mmamabula East and Mmamabula South are collectively referred to in this MD&A as the "**MEC Coalfield**".

The MEC Coalfield is located 120 km to the northeast of the capital city of Gaborone. The property lies between Botswana's main paved highway, which runs from Gaborone to Francistown, and the border with South Africa. Secondary unpaved roads facilitate access to the MEC Coalfield area. CIC Energy has substantially completed exploration of the MEC Coalfield and is well advanced in the geological analysis of the MEC Coalfield, with the intention of defining coal resources which will be suitable for each of the Mmamabula Energy Project, the Mookane Domestic Power Project, the CTH Project and the Export Coal Project.

#### *Mmamabula East*

The original Mmamabula East coal prospecting licence 11/2004 (the "**Original PL11/2004**") was granted on April 1, 2004 with a validity of three years. In December 2008 Meepong Resources (Proprietary) Limited ("**Meepong Resources**"), an indirectly wholly owned subsidiary of the Company, submitted to the Government of Botswana a request for the division of Original PL11/2004 into two separate mineral rights, together with (i) an application for a mining licence for coal resources identified for use for the Mmamabula Energy Project, and (ii) an application for a renewal of the Original PL11/2004 (in respect of the balance of the coal resources) for a period of two years.

On March 27, 2009, the Government of Botswana notified the Company that the Government had approved the split of Original PL11/2004 into two separate prospecting licences designated 11A/2004, which contained the coal resources identified for use for the Mmamabula Energy Project, and 11/2004, which contained the balance of the area covered by Original PL11/2004. The Government also notified the Company that the Government had approved the transfer of prospecting licence 11/2004 from Meepong Resources to CIC Resources (Botswana) (Proprietary) Limited ("**CIC Resources (Botswana)**"), an indirectly wholly owned Botswana subsidiary of the Company, which transfer occurred with effect from June 1, 2009.

The Government of Botswana also issued a renewal of prospecting licence 11/2004 for a period of 2 years, commencing on April 1, 2009 and ending on March 31, 2011. Under the Botswana Mines and Minerals Act (the "**Act**") such a renewal required the relinquishment of 50% of the original licence area. The Act provides that the licence holder selects the area to be relinquished, and the Company selected areas generally not considered to have commercially exploitable coal. Please see *Mineral Resource Estimates* below for further details.

Prior to the expiration of prospecting licence 11A/2004 (which was September 30, 2009 following the most recent extension), Meepong Resources applied to the Government of Botswana for a retention licence over an area that included the area covered by prospecting licence 11A/2004, which retention licence 2009/1R was issued by the Government of Botswana on November 24, 2009 for a period of 3 years, commencing on October 1, 2009 and ending on September 30, 2012.

It is intended that Meepong Resources will continue to develop retention licence 2009/1R for the purposes of the Mmamabula Energy Project, and that CIC Resources (Botswana) will develop prospecting licence 11/2004 for the other projects contemplated for the Mmamabula Energy Complex.

In order to facilitate with the development process for the MDPP, CIC Resources (Botswana) has requested the Government of Botswana to further divide prospecting licence 11/2004 so as to separate coal resources of approximately 200 million mineable tonnes (the "**MDPP Coal Resources**") from the balance of the coal resources, and to approve the transfer of these coal resources from CIC Resources (Botswana) to Mookane Minerals. In conjunction with this transfer, the obligation to repay to CIC Energy capitalised historical development costs in the amount of US\$19,200,000 will also be transferred from CIC Resources (Botswana) to Mookane Minerals (the "**MDPP Mine Development Costs**"), which obligation will be assumed by Mookane Power Holdings. CIC International anticipates crediting this liability against future equity contribution obligations of CIC International to Mookane Power Holdings.

### *Mmamabula South*

The original Mmamabula South renewal coal prospecting licence 75/2002 was granted in July 2005 and was valid for a period of two years. In December 2008 Meepong Resources submitted to the Government of Botswana an application for a renewal of prospecting licence 75/2002 for a period of two years.

On March 27, 2009, the Government of Botswana notified the Company that the Government had approved the transfer of prospecting licence 75/2002 from Meepong Resources to CIC Resources (Botswana), which transfer occurred with effect from June 1, 2009.

The Government of Botswana also issued a renewal of prospecting licence 75/2002 for a period of 2 years, commencing on April 1, 2009 and ending on March 31, 2011. Under the Act such a renewal required the relinquishment of 50% of the original licence area. The Act provides that the licence holder selects the area to be relinquished, and the Company selected areas generally not considered to have commercially exploitable coal. Please see *Mineral Resource Estimates* below for further details.

### ***Mineral Resource Estimates***

CIC Energy announced updated NI 43-101 mineral resource estimates for the MEC Coalfield in June 2007. A technical report on the MEC Coalfield entitled "CIC Energy Corp.: Mmamabula Energy Complex, South-eastern Botswana, Project No. J912, National Instrument 43-101 Technical Report" dated June 1, 2007 (the "**Fifth Technical Report**"), containing information about the mineral resource estimates for the MEC Coalfield and other relevant information, was filed on SEDAR and may be accessed via the SEDAR website at [www.sedar.com](http://www.sedar.com).

CIC Energy announced updated NI 43-101 mineral resource estimates for the MEC Coalfield in September 2008. A technical report on the MEC Coalfield entitled "CIC Energy Corp.: Mmamabula Energy Complex, South-eastern Botswana, Project No. J912, National Instrument 43-101 Sixth Technical Report" dated September 26, 2008 (the "**Sixth Technical Report**"), containing information about the mineral resource estimates for the MEC Coalfield and other relevant information, was filed on SEDAR and may be accessed via the SEDAR website at [www.sedar.com](http://www.sedar.com).

On August 14, 2009, the Company announced by way of press release revisions to the mineral resource estimates set out in the Fifth Technical Report and the Sixth Technical Report, as applicable, to reflect the changes to the resources resulting from the relinquishment of areas with respect to prospecting licences 11/2004 and 75/2002 described in *Exploration Properties* above.

### ***Coal Products***

As the drilling program has been substantially completed, the Company has conducted geological modeling and analysis in order to evaluate the extent to which the measured and indicated mineral resources can be mined and beneficiated in order to support the Company's project development activities at the Mmamabula Energy Complex. The base case mining methods proposed for the mineral resources is a combination of both strip mining and conventional underground bord and pillar mining using continuous miners, with the resulting run-of-mine coal production to be beneficiated through either a single or multi-stage washing process, depending on the characteristics of the coal produced.

Based on the analysis that has been performed, the Company is confident that the coal resource will be capable of yielding coal products in the quantities and qualities required to support the Mmamabula Energy Project, the Mookane Domestic Power Project, the CTH Project and the Export Coal Project.

The ability of the Company to produce such coal products is subject to various risks and uncertainties. Please see *Section 15: Risks* and *Section 17: Cautionary Statement Regarding Forward-Looking Statements* for further details.

### ***Power Projects***

Based on projected upcoming power deficits, the southern African regional utilities, including Eskom Holdings Limited ("**Eskom**") and Botswana Power Corporation ("**BPC**"), are promoting new projects and urgently require additional power to meet their requirements. The Mmamabula Energy Project and the Mookane Domestic Power Project are intended to help address these requirements. The Company believes that the demand for power from the Mmamabula Energy Project and the Mookane Domestic Power Project will remain strong given the shortfall in generating capacity in the region. The extent of this demand may be reduced, however, by future environmental legislation or regulation in relation to, in particular, greenhouse gas emissions, given the use of coal as a fuel source for both the MEP and the MDPP.

### ***Mmamabula Energy Project***

The MEP is expected to provide approximately 1,320 MW (gross) electricity to the southern African power grid, predominantly for export to South Africa, subject to, among other things, the successful conclusion of one or more power purchase agreements ("**PPAs**") and the raising of non-recourse project debt financing.

### ***Changes to Regulatory Framework in South Africa***

On August 5, 2009, the Department of Energy of the Government of South Africa published the Regulations. The objectives of the Regulations are stated to include the regulation of the entry of a buyer and an independent power producer ("**IPP**") into a PPA, and the facilitation of fair treatment and non-discrimination between IPPs and the designated buyers.

Pursuant to the Regulations, procurement of capacity is to be based on an integrated resource plan, which is to be developed by the system operator (as defined in the Regulations) in consultation with the Department of Energy and the National Energy Regulator of South Africa ("**NERSA**"), and then approved by the Minister of the Department of Energy (the "**Minister**") and published in the South African government gazette. The Regulations provide that the integrated resource plan is to be developed on the basis of a base plan derived from the least cost generation investment requirement, with risk adjustment to the base plan based on most probable scenarios and government policy objectives.

Following the publication of the integrated resource plan, the Regulations provide that the system operator shall undertake a feasibility study to determine, inter alia, whether procurement of generation capacity should be undertaken by Eskom, another utility or an IPP. The Regulations provide that the Minister shall then make a determination on the procurement of generation capacity, considering the outcome of the feasibility study, and in the case of procurement of generation capacity through an IPP, the approval of the Minister of Finance. In addition, the Regulations provide that the buyer that will enter into a PPA with an IPP will also be determined by the Minister.

The Regulations also provide that NERSA shall prepare and pass rules for the purposes of cost recovery by the system operator and the buyer.

As a result of delays in the regulatory approval process, the Company reassessed its program of project development activities for the Mmamabula Energy Project, and on December 14, 2009 the Company announced that it had determined that it would be prudent to defer project development activities for the Mmamabula Energy Project unrelated to the regulatory approval process in South Africa until such time as the IRP2010 has been completed.

The South African Department of Energy published a draft of the IRP2010 for public consultation and comment on October 8, 2010, with such public consultation period scheduled to end on November 10, 2010. The Company is currently evaluating the contents of the draft IRP2010, with the intention of participating in the public consultation process. Following the public consultation period, the draft IRP2010 will be revised as necessary, with the revised draft IRP2010 to be tabled in cabinet for approval prior to being published in the South African Government Gazette by the Minister of Energy by the end of calendar year 2010. The Company intends to reassess the project development program for the MEP at that point in time.

#### *Licences and Permits*

The Company announced on December 1, 2008 that it had completed the final mine plan for the coal mine that will supply the MEP power station, to be developed to the east of the power station in an area covered by retention licence 2009/1R identified substantially as the Serorome block in the Sixth Technical Report. The planned capacity of the coal mine will be approximately 4.5 million metric sales tonnes per annum. Meepong Resources submitted a mining licence application to the Government of Botswana for this mine in December 2008. The Government of Botswana has not yet made a determination regarding this application, pending the resumption of development of the MEP.

Environmental Impact Assessment (“EIA”) studies for the previously proposed 7.5 to 9.0 million sales tonnes per annum coal mine, along with the 2,100 to 2,460 MW power station and certain related infrastructure, as well as for the planned transmission lines, were previously approved by the Government of Botswana. Approval of the EIA study related to the transport corridor, the revised transmission routing (necessary in order to coordinate with the routing approved by the Government of the Republic of South Africa) and the upgrade of the Parr's Halt / Stockpoort border crossing between South Africa and Botswana and the road from such border crossing to the MEP site has also been received.

CIC Energy submitted an amended EIA study to the Government of Botswana with respect to the revised mining plan to be employed by Meepong Resources resulting from the reduction in size of the MEP and relocation of the intended mining area. As of the date of this MD&A, this EIA study was under review by the relevant authorities of the Government of Botswana. Approval of this EIA is a prerequisite for the granting of a mining licence, an IPP licence, and surface rights required for the MEP.

Environmental, Social and Health Impact Assessment studies prepared in accordance with standards of the International Finance Corporation, the private sector arm of the World Bank Group, and related internationally-required compliance standards are ongoing.

#### *Procurement Processes*

In a news release of March 23, 2009, the Company announced that an Engineering, Procurement and Construction (“EPC”) contract has been signed between Meepong Energy (Proprietary) Limited (“**Meepong Energy**”) and Shanghai Electric Group Co., Ltd. (“**SEC**”) for the MEP power station. The planned capacity of the power station will be approximately 1,320 MW (gross) or 1,200 MW (net) comprised of two supercritical 660 MW units (gross). In a news release of June 22, 2010, the Company announced that the EPC contract with SEC had been extended beyond the period expected to be required for approval of the IRP2010 by the South African Department of Energy. The Company intends to reassess the project development program from the MEP following the approval of the IRP2010, including seeking a further extension of the EPC contract with SEC as necessary at such time.

The Company had also been conducting discussions with potential contractors and equipment suppliers for the development of the mine, including coal beneficiation and handling equipment. Certain additional infrastructure works will be required to be developed in order to support and augment the work that will be done by the power station EPC contractor and the mine contractors. CIC Energy had undertaken a competitive tender process for the performance of

these infrastructure works, which was in an advanced stage, but was not yet completed. Those tenders that were received had limited validity periods, which have been exceeded.

As announced on December 14, 2009 the Company has decided to defer further procurement processes. Please see *Project Development Timetable* below for further details.

#### *Financing Process*

The Company announced on March 23, 2009 the appointment of ABSA Capital, a division of ABSA Bank Limited ("**ABSA**"), and The Standard Bank of Southern Africa Limited ("**Standard Bank**"), two leading South African banks, as mandated lead arrangers for the Mmamabula Energy Project. ABSA and Standard Bank will lead the arranging of the non-Chinese commercial debt and any portion of the debt financing that benefits from support from the Export Credit Insurance Corporation of South Africa (Pty) Ltd. The Company announced on August 18, 2009 the appointment of Bank of China Limited as mandated lead arranger for a US\$500 million Chinese commercial bank facility for the Mmamabula Energy Project.

As announced on December 14, 2009 the Company has decided to defer further financing processes. Please see *Project Development Timetable* below for further details.

#### *Equity Investment*

In a news release of July 27, 2009, the Company announced that it had signed a Project Development Agreement with International Power plc ("**IPR**") with respect to the Mmamabula Energy Project, which agreement set out the framework under which the Company and IPR would endeavour to negotiate definitive agreements pursuant to which IPR would become a 35% equity participant in the MEP, and would be responsible for the operations and maintenance of the power station component of the MEP.

As a result of the Company's decision to defer project development activities unrelated to the South African regulatory approval process, certain milestones under the Project Development Agreement were not achieved and as a result the Project Development Agreement expired in accordance with its terms. At such time as the Company decides to recommence development activity for the MEP, the Company anticipates that negotiations will take place with IPR for a new Project Development Agreement in relation to the MEP.

#### *Project Development Timetable*

The ability of the Company to complete the Mmamabula Energy Project is subject to various risks and uncertainties. In a news release of December 14, 2009, the Company announced that it had determined that it would be prudent to defer those project development activities unrelated to the regulatory approval process in South Africa until such time as the IRP2010 has been completed. The South African Department of Energy published a draft of the IRP2010 for public consultation and comment on October 8, 2010, with such public consultation period scheduled to end on November 10, 2010. The Company is currently evaluating the contents of the draft IRP2010, with the intention of participating in the public consultation process. Following the public consultation period, the draft IRP2010 will be revised as necessary, with the revised draft IRP2010 to be tabled in cabinet for approval prior to being published in the South African Government Gazette by the Minister of Energy by the end of calendar year 2010. The Company intends to reassess the project development program for the MEP at that point in time.

As a result, the Company is not in the position as of the date of this MD&A to evaluate when financial close (being the point in a limited recourse project such as the MEP when all key project contracts have been concluded and become unconditional and all debt and equity committed, and all conditions precedent to the first drawdown under the financing

agreements have been satisfied, "**Financial Close**") of the MEP may be achieved. Please see *Section 15: Risks and Section 17: Cautionary Statement Regarding Forward-Looking Statements* for further details.

### ***Mookane Domestic Power Project***

#### *Equity Investment*

In a news release of August 26, 2010, the Company announced the signing of the MDPP Shareholders' Agreement in relation to the Mookane Domestic Power Project between CIC International and GCL Botswana. In accordance with the terms of the MDPP Shareholders' Agreement, GCL Botswana and CIC International are in the process of forming Mookane Power Holdings, which will be 70% owned by GCL Botswana and 30% owned by CIC International. The MDPP will be developed by two Botswana project companies, Mookane Power, which will develop and own the MDPP power station, and Mookane Minerals, which will develop and own the MDPP mine. Each of Mookane Power and Mookane Minerals are currently wholly owned subsidiaries of CIC International, but in order to implement the project structure contemplated by the MDPP Shareholders' Agreement, ownership of Mookane Minerals will be transferred to Mookane Power, and the ownership of Mookane Power will in turn be transferred to Mookane Power Holdings, with the result that Mookane Power Holdings will be the beneficial owner of each of Mookane Power and Mookane Minerals.

Pursuant to the terms of the MDPP Shareholders' Agreement, CIC International will receive from GCL Botswana a development fee (the "**MDPP Development Fee**"), the amount of which will depend on the achievement of certain milestones, in particular the achievement of Financial Close of the MDPP. CIC International intends to use the MDPP Development Fee to fund a portion of the future equity contribution obligations of CIC International to Mookane Power Holdings.

In the event that certain milestones are not achieved within the time periods set out in the MDPP Shareholders' Agreement (as may be extended by agreement of CIC International and GCL Botswana), each of CIC International and GCL Botswana will have the right to terminate the MDPP Shareholders' Agreement, in which case the shares in Mookane Minerals will be transferred back to CIC International for an amount equal to the MDPP Mine Development Costs.

#### *Engagement with BPC and the Government of Botswana*

On August 27, 2010, the Company and Golden Concord, on behalf of Mookane Power, submitted to BPC and the Government of Botswana a commercial offer in relation to the MDPP, including a tariff structure and proposed draft documentation.

In preparing the commercial offer and draft documentation, the Company and Golden Concord adapted certain of the work that was done in preparation for the MEP (including resource planning, geotechnical analysis, engineering design and analysis, environmental and social impact assessments, and draft documentation negotiated with BPC and the Government of Botswana. As consideration for the use of the intellectual property associated with this work, the obligation to repay to CIC Energy capitalised historical development costs in the amount of US\$13,800,000 will also be transferred from Meepong Energy to Mookane Power (the "**MDPP Power Station Development Costs**"), which obligation will be assumed by Mookane Power Holdings. CIC International anticipates crediting this liability against future equity contribution obligations of CIC International to Mookane Power Holdings.

#### *Procurement Processes*

The technical solution for the MDPP power plant, including completion of the basic engineering design and integration into the BPC transmission grid has been substantially completed. In addition, the mine plan for the MDPP coal mine, which has been planned to initially produce 1.3 million tonnes per annum, and the technical solution for a coal

beneficiation process to ensure compliance with international environmental emissions standards, have also been completed.

GCL Construction International, an affiliate of GCL will act as the construction contractor of the MDPP power station, mine, and all associated infrastructure. The estimated cost of capital equipment and infrastructure for the MDPP is 5.5 billion RMB (equivalent to approximately US\$820 million at current exchange rates). Negotiations have commenced for an engineering, procurement and construction contract with respect to all capital assets required for the MDPP (the "MDPP EPC Contract"). In addition, the basic design for the MDPP power station has been substantially completed.

#### *Licences and Permits*

An application for a mining licence for the MDPP Coal Resources was submitted to the Government of Botswana on September 7, 2010. The planned capacity of the coal mine will initially be approximately 1.3 million run-of-mine tonnes per annum, based on a power station capacity of approximately 300 MW (gross), with the MDPP Coal Resources being adequate to support expansion of the coal mine in the future. In the event that the mining licence is issued for a quantum of coal resources that are less than the entire MDPP Coal Resources, the excess coal resources will be transferred back to the Company, which will also result in a reduction in the MDPP Mine Development Costs and the MDPP Development Fee. In the event that the mining licence is issued for a coal resource that is less than 100 million mineable tonnes, GCL Botswana will have a right to terminate the Shareholders' Agreement, in which case the MDPP Coal Resources will be transferred back to the Company.

The Company and GCL are in the process of preparing an application for an IPP licence with respect to, inter alia, the construction and operation of the MDPP power station. This was anticipated to be completed during the third calendar quarter of 2010, but has not yet been completed because of delays in the negotiation of the MDPP EPC Contract and the promulgation of the necessary regulations in relation thereto in Botswana. The MDPP power station has been designed on the basis of three units, each of 150 MW (gross), with two of the three units (i.e. 300 MW gross in aggregate), as well as the balance of plant for all three units, intended to be contracted for initially under the MDPP EPC Contract. The MDPP EPC Contract is also intended to include an option for the installation of the third unit, which if exercised would result in the aggregate capacity of the power station of 450 MW (gross).

EIA approvals will be required from the Government of Botswana for the proposed MDPP power station, coal mine and related infrastructure. Prior to the current configuration of the MEP, EIAs were previously approved by the Government of Botswana for a 7.5 to 9.0 million sales tonnes per annum coal mine, along with the 2,100 to 2,460 MW power station and certain related infrastructure. Based on the current development plans for the MDPP, the MDPP will fall substantially within the parameters of the previously approved EIAs. Consequently, it is expected that the MDPP will be able to utilise certain of the studies that were performed for the previously approved EIAs. Approval of EIAs for the proposed MDPP power station, coal mine and related infrastructure is a prerequisite for the granting of a mining licence, an IPP licence, and surface rights required for the MDPP.

Additional licences and permits will also be required to be obtained by Mookane Power, Mookane Minerals and the contractor under the MDPP EPC Contract for the construction and operation of the MDPP. The Company and GCL intend to prepare applications for such licences and permits as and when necessary.

#### *Financing Process*

It is expected that the MDPP will be project financed at a ratio of not less than 70% debt, with the balance contributed by the equity partners. GCL shall assist the project companies in the raising of the financing for the MDPP. Chinese financial institutions are expected to contribute the majority of the debt funding.

### *Project Development Timetable*

The ability of the Company to complete the Mookane Domestic Power Project is subject to various risks and uncertainties. In particular, the achievement of certain milestones is dependent on the successful conclusion of negotiations with third parties, which has resulted in, and may further result in, delays in achievement of such milestones.

Key milestones for the MDPP planned by the end of the fourth fiscal quarter of 2010 include (i) incorporation of Mookane Power Holdings and transfer of ownership of Mookane Minerals to Mookane Power, and ownership of Mookane Power to Mookane Power Holdings and (ii) submission to the Government of Botswana of environmental impact assessments, and applications for an IPP licence and construction permits.

Key milestones for the MDPP planned by the end of the first fiscal quarter of 2011 include (i) conclusion of negotiations and signing of the MDPP EPC Contract, (ii) signing of a Power Purchase Agreement with Botswana Power Corporation, (iii) signing of the agreements mentioned above with the Government of Botswana and (iv) receipt of mining and power generation licenses, construction permits, and approval of environmental impact assessments.

Key milestones for the MDPP planned by the end of the second fiscal quarter of 2011 include commencement of equipment procurement, site access and preparation and provision of construction utilities.

Key milestones for the MDPP planned by the end of the third fiscal quarter of 2011 include Financial Close for the MDPP and the commencement of full construction.

Please see *Section 15: Risks* and *Section 17: Cautionary Statement Regarding Forward-Looking Statements* for further details.

### ***Export Coal Project***

A mine, rail and port pre-feasibility study for the Export Coal Project to investigate the exporting of seaborne traded high grade thermal coal from the Mmamabula Energy Complex site to a port on the west coast of southern Africa has been completed by the Company. An approximately 1,500 kilometre rail line would have to be constructed from the Mmamabula Energy Complex site in a westerly direction through Botswana and Namibia. At the Namibian coast, a coal terminal and loading facility is envisaged to be built to be able to load ocean going vessels. The Company has signed a non-binding consortium agreement with certain other parties in the region that are interested in participating as joint venture partners in the preparation of a bankable feasibility study and ultimately as users of the rail and port facilities, should a decision be made to proceed with the development thereof.

In September 2010, the Government of Botswana and the Government of Namibia published a Request for Expressions of Interest in relation to the development of the Trans Kalahari Railway Line and a port in Namibia. The intention is to shortlist potential developers that have inter alia strong financial capability, relevant railway line and port development technical capabilities, and experience and expertise in railway line and port construction and operations. The closing date for submission of expressions of interest is October 29, 2010, with development of the project stated to commence in June 2011.

Neither the Company nor the consortium currently satisfy the pre-qualification requirements set out in the Request for Expressions of Interest and the Company does not anticipate that either itself, or the consortium, will submit a response thereto. The Company's primary economic interest is not to own or operate the transportation facilities that are the subject of the Request for Expressions of Interest, but rather to have access to such transportation facilities once developed in order for the Company to export its coal resources to international markets.

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

The ability of the Company to complete the Export Coal Project is subject to various risks and uncertainties. Please see *Section 15: Risks* and *Section 17: Cautionary Statement Regarding Forward-Looking Statements* for further details.

### **CTH Project**

The Company recently sent out a request for proposals to a group of international companies regarding the production of low sulphur diesel fuel and associated products primarily for the domestic Botswana market utilising clean above ground coal gasification technology and Fischer-Tropsch technology. The Company does not anticipate significant further expenditure on the CTH Project until the responses to such request for proposals have been received and evaluated.

The ability of the Company to complete the CTH Project is subject to various risks and uncertainties. Please see *Section 15: Risks* and *Section 17: Cautionary Statement Regarding Forward-Looking Statements* for further details.

### **Water supply**

CIC Energy has assessed the water demands of the Mmamabula Energy Complex and the potential sources of water. As part of CIC Energy's assessment, a groundwater exploration program consisting of geophysical surveys followed by a drilling and testing of 46 exploration boreholes was undertaken by Wellfield Consulting Services over an area of some 1,500 km<sup>2</sup>. The area lies to the southwest of Kudumatse and north of Mmamabula East. The exploration program identified a significant groundwater resource in the Ntane Sandstone aquifer of the Karoo system.

The identified resource has been further quantified by numerical modeling that has simulated the development and operation of a production wellfield within 20 kilometres of the Mmamabula Energy Project site. The results of this modeling study, corroborated by independent review by Government of Botswana water authorities and international peer reviewers, indicated that there are sufficient ground water resources available to supply 12 million cubic meters of water per year for a period of 40 years to the Mmamabula Energy Complex.

On September 10, 2007, Meepong Water (Proprietary) Limited ("**Meepong Water**"), then a subsidiary of CIC Energy, was granted groundwater abstraction rights from the Water Apportionment Board in Botswana in support of the water requirements for the Mmamabula Energy Project. Approval of the EIA related to groundwater wellfields for the MEP was received from the Department of Environmental Affairs of the Government of Botswana on September 5, 2008. In order to facilitate the financing of the MEP, the ownership of Meepong Water was transferred from CIC Energy to Meepong Energy with effect from September 1, 2009.

In order to facilitate the development of the MDPP, the Company intends to request the Government of Botswana to transfer certain of the groundwater abstraction rights currently held by Meepong Water to Mookane Power.

**4. Summary of Quarterly Results**  
(Prepared in accordance with Canadian GAAP)

Net Income Highlights  
(in thousands of \$)

Quarters ended	Total income	Total expenses	Net income (loss)	Basic and diluted loss per share
August 31, 2010*	836	2,344	(1,508)	(0.03)
May 31, 2010*	279	2,480	(2,201)	(0.04)
February 28, 2010*	(606)	2,612	(3,218)	(0.06)
November 30, 2009**	158	544	(386)	(0.01)
August 31, 2009*	(950)	2,353	(3,303)	(0.06)
May 31, 2009*	539	2,662	(2,123)	(0.04)
February 28, 2009*	2,815	2,658	157	0.01
November 30, 2008**	(1,043)	2,780	(3,823)	(0.07)

\* reviewed

\*\* unaudited

Quarterly trends in total income reflect interest received on cash balances and foreign exchange profits and losses resulting from changes in the South African Rand / Canadian Dollar and Botswana Pula / Canadian Dollar exchange rates as funds are transferred from the Company's bank account to South Africa and Botswana to pay corporate and development expenses. Total expenses were generally consistent reflecting the ongoing operating costs of the Company.

All non-capitalised expenditure levels in the current quarter were on par with those in the same quarter of the prior year.

Cash Flow Highlights  
(in thousands of \$)

	Three months ended August 31, 2010 (reviewed)	Three months ended August 31, 2009 (reviewed)	Nine months ended August 31, 2010 (reviewed)	Nine months ended August 31, 2009 (reviewed)	Year ended November 30, 2009 (audited)
Operating activities	(2,715)	(4,437)	(7,161)	(7,372)	(6,322)
Investing activities	1,006	(8,934)	(5,020)	(26,696)	(36,652)
Financing activities	-	-	-	(379)	(379)
Beginning cash balance	31,996	64,744	42,468	85,820	85,820
Net cash flow for the period	(1,709)	(13,371)	(12,181)	(34,447)	(43,352)
Ending cash balance	30,287	51,373	30,287	51,373	42,468

### ***Operating Activities***

For the three months ended August 31, 2010, operating activities utilised \$2.7 million cash compared with \$4.4 million in the same period in 2009. For the nine month period ended August 31, 2010, operating activities utilised \$7.2 million cash compared with \$7.4 million in the same period in 2009. This resulted from reduced personnel expenditures associated with the retrenchment of staff.

### ***Investing Activities***

Investing activities for the three months ended August 31, 2010 provided \$1.0 million cash compared with a utilisation of \$8.9 million in the same period in 2009. This was a result of cash generated by the disposal of fixed assets. Investing activities for the nine months ended August 31, 2010 utilised \$5.0 million cash compared with a utilisation of \$26.7 million in 2009. This reflects reduced expenditure during the current periods resulting from the deferral of project development activities related to the MEP.

### ***Financing Activities***

There were no financing activities in third quarter of 2010 or 2009. Financing activities showed no movement for the nine months ended August 31, 2010 compared to a net outflow of \$0.4 million in the same period last year.

## **5. Liquidity**

Historically the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements to sophisticated investors and institutions. The Company's access to such funding is always uncertain and there can be no assurance of continued access to equity funding if required in order for the Company to meet its planned business objectives.

As of August 31, 2010, the Company had cash and cash equivalents of approximately \$30.2 million, which is considered to be adequate to fund the Company's ongoing personnel, office, lease and general expenses and committed third party costs through to at least August 31, 2011. These amounts are budgeted for such period to be approximately \$14 million. This would leave a cash balance as of August 31, 2011 after the payment of committed costs of approximately \$16.2 million (ignoring changes in working capital).

Pursuant to the terms of the MDPP Shareholders' Agreement, each of GCL Botswana and CIC International are obligated to make equity contributions to Mookane Power Holdings. As the obligation to pay these equity contribution amounts will only arise upon satisfaction of certain milestones as provided in the MDPP Shareholders' Agreement, these amounts are not reflected in the committed third party costs referred to above. Based on the Company's current expectations regarding the timetable for achieving the relevant milestones, the Company anticipates that the aggregate equity contributions in relation to the MDPP to be made prior to August 31, 2011 will be approximately US\$11 million.

The Company's current cash and cash equivalents are not expected to be sufficient to fund the Company's share of aggregate equity contribution obligations for the MDPP anticipated to arise after August 31, 2011. While the Company anticipates funding the majority of its equity contribution obligations for the MDPP from the proceeds of the MDPP Mine Development Costs, the MDPP Power Station Development Costs and the MDPP Development Fee, a portion of the equity contribution obligations for the MDPP anticipated to arise after August 31, 2011 will be required to be funded in cash. In order to fund both the equity contribution obligations for the MDPP anticipated to arise after August 31, 2011 and the Company's ongoing personnel, office, lease and general expenses and committed third party costs after August 31, 2011, the Company will be required to raise additional funding. Such additional funds are expected to consist primarily of capital raising by CIC Energy. The ability to raise such funding is always uncertain and there can be no assurance that such funds will be available in the amounts required on acceptable terms.

As a result of the Company's decision to defer those project development activities for the Mmamabula Energy Project that are unrelated to the regulatory approval process in South Africa, the Company is not currently incurring significant costs in relation to the Mmamabula Energy Project. As a result of the equity funding obligations of the Company in relation to the MDPP referred to above, the Company will be required to raise additional funding prior to resuming project development activities for the MEP. Such additional funding would consist primarily of debt raised at the level of Meepong Energy and/or Meepong Resources, equity raised via joint venture arrangements related to Meepong Energy and/or Meepong Resources, and/or further capital raising by CIC Energy. The ability to raise such funding is always uncertain and there can be no assurance that such funds will be available in the amounts required on acceptable terms. Depending on the amount of funding that is raised at such time, it may nevertheless be necessary to defer until after Financial Close of the MEP certain development activities that were anticipated to be undertaken prior to Financial Close of the MEP, which would be expected to extend the period between the occurrence of Financial Close of the MEP and the commencement of commercial operations of the MEP.

The Company's cash and cash equivalents will not be sufficient to fund both the Company's share of the costs to implement the Mmamabula Energy Project following Financial Close of the MEP and the Company's ongoing personnel, office, lease and general expenses and committed third party costs following Financial Close of the MEP and additional funds would be required. Such additional funds are expected to consist primarily of debt raised at the level of the project companies, equity raised via joint venture arrangements related to such project companies, and further capital raising by CIC Energy if required. The Company's ability to obtain such additional funds on favourable terms, or at all, may be affected by numerous factors beyond the Company's control, including but not limited to, adverse market changes, economic downturn and those other factors listed under *Section 15: Risks*.

As announced in a press release on October 8, 2010, the Company received an indicative proposal to acquire at least 51% and up to 100% of the issued and outstanding common shares of CIC Energy. The board of directors of the Company has formed a special committee of independent directors to review the merits of the proposal. This process is ongoing and the special committee will make recommendations in due course to the board of directors and, if appropriate, to shareholders. The Company does not currently anticipate commencing any fund raising activities during the continuance of this process.

The Company has no long term debt, capital lease obligations, operating leases, purchase obligations (being an agreement to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms) or any other material long term obligations, other than leases and rentals of office premises. The Company's financial instruments are limited to cash and cash equivalents, other receivables, accounts payable and accrued liabilities of a short term duration and are not subject to trading risk. The Company does not consider that it is currently exposed to any significant risks of default on dividend payments, debt payments, debt covenants or other contractual obligations.

Please see *Section 15: Risks* and *Section 17: Cautionary Statement Regarding Forward-Looking Statements* for further details.

## **6. Capital Resources**

### ***Working Capital***

As of August 31, 2010, the Company had working capital of \$26.0 million, compared to \$43.7 million as of August 31, 2009. The reduction in working capital reflects the excess of cash used in investment activities and financing activities over cash generated from operating activities. The Company has no long-term debt.

### **Capital Expenditure**

As of August 31, 2010 the Company has capitalised a total of \$175.0 million in respect of exploration and project development, including \$1.2 million that was capitalised during the three months ended August 31, 2010 and \$7.3 million that was capitalised during the nine months ended August 31, 2010. A summary of the allocation of the total capitalised amounts (on a project and company basis) is set out below.

#### *Exploration* (in thousands of \$)

	Balance at Nov 30, 2009	(Disposals) / Additions three months ended August 31, 2010	(Disposals) / Additions nine months ended August 31, 2010	Balance at August 31, 2010
CIC Resources (Botswana) (Pty) Ltd.	60,789	2,199	5,370	66,159
Total	60,789	2,199	5,370	66,159

These costs represent expenditures for acquisition, drilling, geological analysis, and related costs for coal resources that have not yet been allocated to a project. Upon the transfer of the MDPP Coal Resources from CIC Resources (Botswana) to Mookane Minerals, capitalised costs in an amount equal to the MDPP Mine Development Costs will also be transferred from CIC Resources (Botswana) to Mookane Minerals.

#### *Mmamabula Energy Project* (in thousands of \$)

	Balance at Nov 30, 2009	(Disposals) / Additions three months ended August 31, 2010	(Disposals) / Additions nine months ended August 31, 2010	Balance at August 31, 2010
Meepong Energy (Pty) Ltd.	54,197	(958)	1,401	55,598
Meepong Resources (Pty) Ltd.	41,995	(92)	356	42,351
Meepong Water (Pty) Ltd.	3,356	-	-	3,356
Meepong Services (Pty) Ltd.	0	15	78	78
Total	99,548	(1,035)	1,835	101,383

The Mmamabula Energy Project is intended to produce electricity by means of a coal fired thermal power station, with an associated coal mine, wellfield and water treatment plant, and associated infrastructure. These figures include dedicated staff and consulting costs incurred in developing this opportunity, and associated exploration and related costs for coal resource development. As a result of the use by Mookane Power of intellectual property developed for the MEP, capitalised costs in an amount equal to the MDPP Power Station Development Costs will be transferred from Meepong Energy to Mookane Power.

As a result of the Company's decision to defer project development activities on the MEP that are unrelated to the South African regulatory issues, the Company is not in the position as of the date of this MD&A to evaluate the expected timetable or level of expenditure that will be required for the achievement of Financial Close of the MEP.

*Coal-to-Hydrocarbons Project*  
(in thousands of \$)

	Balance at Nov 30, 2009	(Disposals) / Additions three months ended May 31, 2010	(Disposals) / Additions six months ended May 31, 2010	Balance at May 31, 2010
CIC Resources (Botswana) (Pty) Ltd.	3,933	0	0	3,933
Total	3,933	0	0	3,933

The Coal-to-Hydrocarbons Project is intended to produce synthesis gas from coal, which can then be converted to a variety of downstream products including petrochemicals, gas and fuels. These figures include dedicated staff and consulting costs incurred in developing this opportunity, but do not include any exploration and related costs for coal resource development referred to under *Exploration Properties* above.

The Company recently sent a request for proposals to a group of international companies regarding the production of low sulphur diesel fuel and associated products primarily for the domestic Botswana market utilising clean above ground coal gasification technology and Fischer-Tropsch technology. The receipt and review of such proposals is not expected to be completed prior to the end of the current fiscal year, and is not expected to require material expenditures.

*Export Coal Project*  
(in thousands of \$)

	Balance at Nov 30, 2009	(Disposals) / Additions three months ended August 31, 2010	(Disposals) / Additions nine months ended August 31, 2010	Balance at August 31, 2010
CIC Resources (Botswana) (Pty) Ltd.	2,286	28	98	2,384
Total	2,286	28	98	2,384

The Export Coal Project is intended to develop a coal export capability to international markets. These figures include dedicated staff and consulting costs incurred in developing this opportunity, but do not include any exploration and related costs for coal resource development referred to under *Exploration Properties* above.

The Export Coal Project is not expected to require material expenditures prior to the end of the current fiscal year.

**Capital Raising Activities**

There were no fund raising activities during the nine months ended August 31, 2010 and there are no investments in asset-backed commercial paper.

**7. Off-Balance Sheet Arrangements**

As of the date of this MD&A, there were no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

## 8. Transactions with Related Parties

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

### *Moxirex (Proprietary) Limited*

Pursuant to a share warrant agreement (the "**Warrant Agreement**") dated April 9, 2010 between the Company and Moxirex (Proprietary) Limited ("**Moxirex**"), a company controlled by Robert Gumede, a director of the Company, the Company has agreed to issue to Moxirex 13,061,448 Common Share purchase warrants (the "**Warrants**"), each Warrant being exercisable to purchase one Common Share at a price of \$1.75 for a term of three years after the date of issue, in consideration for Moxirex rendering consultancy services to the Company, primarily in respect of the regulatory approval process in South Africa for the Mmamabula Energy Project. The Warrants are subject to vesting upon the achievement of certain specified milestones, which are also primarily related to the regulatory approval, development and financing of the Mmamabula Energy Project.

In the event that the Company issues additional Common Shares (the "**Additional Shares**") within 12 months of April 9, 2010, the Company will, subject to regulatory approval, issue additional Common Share purchase warrants to Moxirex (the "**Additional Warrants**"), each such Additional Warrant being exercisable to purchase one Common Share at the price at which such Additional Shares were issued, so as to result in an entitlement to purchase such number of Common Shares as constitutes in the aggregate 19.9% of the Additional Shares so issued, provided that the maximum number of Additional Warrants that will be issued will not exceed 2 million in the aggregate, notwithstanding how many additional Common Shares may be issued by the Company from time to time during such 12 month period.

## 9. Proposed Transactions

As of the date of this MD&A, there were no proposed asset or business acquisitions or dispositions expected to have an effect on the financial condition, results of operations or cash flows of the Company.

## 10. Critical Accounting Estimates

In preparing financial statements in accordance with Canadian GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and expenses for the three month period ended August 31, 2010.

Critical accounting estimates represent estimates that are uncertain and for which changes in those estimates could materially impact on CIC Energy's financial statements. Management reviews its estimates and assumptions on an ongoing basis using the most current information available. Management considers that the estimates and assumptions that have been made are reasonable and appropriate as of the date hereof, based on the most current information available. The following accounting estimates are critical:

### ***Impairment of mineral properties and deferred expenditure***

Long-lived assets, including property and equipment, goodwill, mineral assets, mine infrastructure and exploration properties, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured both by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset, and by an estimation of current market value of comparable resources *in situ*. If the carrying amount of an

asset exceeds its estimated future cash flows and estimated current market value, an impairment charge is recognised by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Management has considered the carrying amounts of the long-lived assets and has determined that the estimated undiscounted future cash flows expected to be generated by the Company's project development activities and/or estimated current market values are expected to exceed the carrying amount of such long-lived assets.

A failure to reach Financial Close of the Mmamabula Energy Project and/or the Mookane Domestic Power Project accompanied by an inability to develop alternative markets for the coal resource and/or a reduction in current market value of comparable resources *in situ* could result in the need to impair assets related to the exploration properties.

Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of discontinued operations classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

### ***Income taxes***

Income taxes are accounted for using the liability method under which future tax assets and liabilities are recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed. The effect on future tax assets and liabilities of a change in tax rates is recognised in income in the period that includes the date of substantive enactment. In assessing future tax assets, CIC Energy considers whether it is more likely than not that some portion or all of the future income tax assets will be realised and whether a valuation allowance is required.

### ***Stock based compensation***

CIC Energy offers stock based compensation to directors, officers, employees and key consultants from time to time under either CIC Energy's rolling ten percent stock option plan or in the form of warrants granted in accordance with the rules and regulations of the TSX.

CIC Energy uses the Black-Scholes model to estimate the fair value of stock based compensation. Under the fair value based method, compensation cost for equity settled stock based compensation and direct awards of stock is measured at fair value at the grant date, while compensation costs for awards that call for settlement in cash or other assets, or are stock appreciation rights that call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by the issuance of equity instruments, is measured at the ultimate settlement amount. Compensation cost is recognised in earnings on a straight-line basis over the relevant vesting period. The counterpart is recognised in contributed surplus. Upon exercise of a stock option or warrant, share capital is recorded at the sum of the proceeds received and the related amount of contributed surplus.

This model, and other models which are used to value stock based compensation, require inputs such as expected volatility, expected life to exercise and interest rates. The Company evaluates the relevant inputs at the end of each fiscal quarter based on historical volatility and expectations on the achievement of milestones for stock based compensation that vests on achievement of milestones rather than the passage of time. Changes in any of these inputs could cause a significant change in the stock-based compensation expense charged in a period.

## **11. Changes in Accounting Policy**

### *(a) Business Combinations; Consolidated Financial Statements; Non-Controlling Interest*

The CICA issued three new accounting standards in January 2009: Section 1582, Business combinations; Section 1601, Consolidated financial statements; and Section 1602, Non-controlling interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011 and earlier adoption is permitted as of the beginning of a fiscal year. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards IFRS 3-Business Combinations.

Sections 1601 and 1602 together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for non-controlling interests in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27-Consolidated and separate financial statements.

In January 2009, the Accounting Standards Board ("AcSB") issued Handbook Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests, to provide guidance on preparation of consolidated financial statements and accounting for non-controlling interests subsequent to a business combination. The section is effective for fiscal years beginning on or after January 1, 2011, however early adoption is permitted as of the beginning of a fiscal year.

The adoption of these new standards are not expected to have an impact on the Company's financial statements.

### *(b) Adoption of International Financial Reporting Standards*

The Company will be adopting International Financial Reporting Standards ("IFRS") from December 1, 2011. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company reporting for the first quarter of the fiscal year beginning on December 1, 2011, for which the current and comparative information will be prepared under IFRS.

The Company is currently engaged in the scoping phase of its conversion process, which involves a high level review of the major differences between Canadian GAAP and IFRS, setting a timeline for resources and developing a project plan. This scoping phase is intended to provide direction to the Company's management for the second phase of the conversion process, and will be disclosed in the Company's annual financial statements and management's discussion and analysis for the year ending November 30, 2010.

## **12. Financial Instruments and Other Instruments**

The only financial instruments that the Company has are cash and cash equivalents, other receivables, accounts payable and accrued liabilities which are short-term financial instruments whose fair value approximates their carrying value given that their maturity period is short. CIC Energy is exposed to foreign currency risk with respect to certain of its receivables and accounts payable and other accrued liabilities. The Company does not mitigate this risk.

As of the date of this MD&A, there were no other instruments held by the Company that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

### 13. Disclosure of Outstanding Share Data

The following details the share capital structure as at October 13, 2010. These figures may be subject to minor accounting adjustments prior to presentation in future consolidated financial statements.

	Expiry Date	Exercise price	Number	Total
Common Shares	N/A	N/A		52,573,969
Share Options	April 17, 2014	\$6.90	745,000	4,525,000
	July 26, 2014	\$8.00	290,000	
	Aug 6, 2017	\$4.00	600,000	
	Dec 16, 2017	\$2.00	810,000	
	Jan 12, 2018	\$2.00	1,315,000	
	June 2, 2018	\$2.00	765,000	
Warrants	April 21, 2013	\$1.75	13,061,448	13,061,448
Total number of Fully Diluted Shares				70,160,417

### 14. Internal Control Over Financial Reporting

No changes were made to the Company's internal control over financial reporting during the period beginning on June 1, 2010 and ended on August 31, 2010, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### 15. Risks

The operations of CIC Energy are high-risk due to the scope, complexity, nature and stage of development of the Mmamabula Energy Complex, and in particular the Mmamabula Energy Project and the Mookane Domestic Power Project. CIC Energy has a limited operating history from which its business and prospects can be evaluated. As a result, forecasts of any potential growth of the business of CIC Energy are difficult to evaluate. CIC Energy's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development. The following risk factors could materially affect CIC Energy's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to CIC Energy. CIC Energy may face additional risks and uncertainties other than those listed below, including, risks and uncertainties that are unknown to CIC Energy or risks and uncertainties that CIC Energy now believes to be unimportant, which could have a material adverse effect on the business of CIC Energy. If any of the following risks actually occur, the business, financial condition and/or results of operations of CIC Energy could be negatively affected.

#### ***Project Development Risks***

The development of the Mmamabula Energy Project and/or the Mookane Domestic Power Project is dependent on CIC Energy or its affiliates entering into all of the requisite agreements. CIC Energy has entered into a number of memoranda of understanding and heads of agreement concerning the development of the Mmamabula Energy Project, and the MDPP Shareholders' Agreement concerning the development of the Mookane Domestic Power Project. If CIC Energy or its affiliates fail to enter into all requisite definitive agreements, CIC Energy or such affiliates may be unable

to proceed with the development of the Mmamabula Energy Project and/or the Mookane Domestic Power Project. The ability to secure such agreements in the first instance is beyond the control of CIC Energy and, furthermore, due to the planned scale of operations, CIC Energy, whether directly or indirectly, is dependent on third parties for the conclusion of such contracts on favourable terms. In addition, the success of both the Mmamabula Energy Project and the Mookane Domestic Power Project will be dependent upon each of the contractual counterparties complying in all material respects with the terms and conditions of the relevant contracts. Any breach by any of such entities of their obligations would adversely affect the successful development and operation of the Mmamabula Energy Project and/or the Mookane Domestic Power Project, as the case may be, and in turn, the business, financial condition and results of operations of CIC Energy.

The successful development of the Mmamabula Energy Project is dependent on the ability of CIC Energy to conclude agreements with equity partners, including an arrangement with an IPP partner. If CIC Energy fails to enter into all requisite equity agreements, CIC Energy may be unable to proceed with the development of the Mmamabula Energy Project.

There is no precedent as to how the Regulations published by the Department of Energy in South Africa will be implemented and applied. In addition, certain of the entities given responsibilities and obligations under the Regulations may not currently be in a position to fully exercise such responsibilities or perform such obligations. Any delay or lack of clarity in the application of the Regulations may adversely affect the successful development of the Mmamabula Energy Project, including the ability of the Company to achieve Financial Close of the MEP in a timely manner or at all, which may, in turn, adversely affect the business, financial condition and results of operations of CIC Energy. In addition, any delay by the Department of Energy in South Africa in preparing the IRP2010, or the failure of the IRP2010 to be completed in a timely manner, or the failure of the IRP2010 when completed to provide for the Mmamabula Energy Project, may adversely affect the ability of the Company to successfully develop the Mmamabula Energy Project, including achieving Financial Close of the MEP in a timely manner or at all, which may, in turn, adversely affect the business, financial condition and results of operations of CIC Energy.

The procurement processes for the Mmamabula Energy Project may be adversely affected by any delay by the Department of Energy in South Africa in preparing the IRP2010, including the need to renegotiate the EPC contract with SEC, and/or restart negotiations or retender works for the development of the mine, including coal beneficiation and handling equipment, and other associated infrastructure. There can be no assurance that any such renegotiations or tenders would be successful, which may adversely affect the ability of the Company to successfully develop the Mmamabula Energy Project, including achieving Financial Close of the MEP in a timely manner or at all, which may, in turn, adversely affect the business, financial condition and results of operations of CIC Energy.

The power produced by each of the Mmamabula Energy Project and the Mookane Domestic Power Project is intended to be sold under PPAs to be entered into with the relevant offtakers (expected to be BPC in the case of sales in Botswana and a buyer to be designated by the South African Minister of Energy in the case of sales in South Africa), with each such PPA having an operating term of approximately 30 years. The price and amount of capacity and energy that may be sold under a PPA is beyond the control of CIC Energy. The failure to conclude PPAs on favourable terms could result in the Mmamabula Energy Project and/or the Mookane Domestic Power Project, as the case may be, being commercially unfeasible.

The successful conclusion of the PPAs for the Mmamabula Energy Project and/or the Mookane Domestic Power Project, including the agreement on the price of capacity and energy thereunder, will require the approval of, inter alia, the Department of Energy and National Treasury in respect of sales in South Africa and BPC and the Ministry of Minerals, Energy and Water Resources in respect of sales in Botswana. The price of electricity under the PPA in South Africa is also subject to regulatory approval by NERSA in South Africa, which will have due regard to the price of alternative competitive power supplies, including the approval of cost recovery for the buyer designated by the Minister of the Department of Energy in South Africa.

In order to finalise the PPAs for the Mmamabula Energy Project and/or the Mookane Domestic Power Project, certain concessions may need to be obtained from the Government of Botswana, including tax concessions. Failure to obtain such concessions may have a material adverse impact on the viability and possible profitability of the Mmamabula Energy Project and/or the Mookane Domestic Power Project, as the case may be, and on CIC Energy's financial condition.

In order to successfully develop the Mmamabula Energy Project and/or the Mookane Domestic Power Project, CIC Energy may have to incur costs or accept liability for termination amounts for preliminary design work, early construction works and other preparatory work, both to the EPC contractors and to third parties, which amounts would be incurred prior to the achievement of Financial Close of the MEP or the MDPP, as the case may be. In the event that Financial Close for the MEP and/or the MDPP, as the case may be, is not subsequently achieved, it may not be possible for CIC Energy to recover such costs, which would have a negative impact on CIC Energy's business, financial condition and/or results of operations.

Significant mining and processing plant equipment for the mining operations, as well as general infrastructure, will be required to be procured for the Mmamabula Energy Project, the pricing and availability of which is beyond the control of CIC Energy.

CIC Energy's business plans depend on its ability to hold various mineral rights which requires certain licences, permits and authorisations and, in some cases, renewals of existing licences, permits and authorisations from various governmental and quasi-governmental authorities. CIC Energy's ability to obtain, maintain or renew such licences, permits and authorisations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable governmental and quasi-governmental bodies. No assurance can be given that CIC Energy's properties are not subject to undetected or unregistered interests or claims, whether in contract or tort, which could be material and adverse to CIC Energy.

The ownership and operation of the proposed power station for each of the Mmamabula Energy Project and the Mookane Domestic Power Project is dependent on the ability of the respective project companies to obtain an IPP licence, which will be subject to the fulfillment of a number of conditions, including the discretion of authorities in the Government of Botswana. The ownership and operation of the proposed mine for each of the Mmamabula Energy Project and the Mookane Domestic Power Project is dependent on the ability of the respective project companies to obtain a mining licence, which will be subject to the fulfillment of a number of conditions, including the discretion of authorities in the Government of Botswana. In addition to the IPP licence and the mining licence, there are other licences, permits, consents, approvals and concessions required from the Government of Botswana in order to proceed with the development and operation of each of the Mmamabula Energy Project and the Mookane Domestic Power Project. The inability to obtain the relevant IPP licences, mining licences, or any other such licences, permits, consents, approvals and concessions would have a material adverse effect on CIC Energy's business, financial condition and/or results of operations.

CIC Energy is dependent on the services of key executives, including certain of its directors and a small number of highly skilled and experienced consultants. Due to the relatively small size of CIC Energy, the loss of these persons or CIC Energy's inability to attract and retain additional highly skilled employees or consultants may adversely affect its business and future operations.

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

### ***Operating Risks***

Resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies which derive estimates of cash operating costs based upon anticipated tonnage and grades of coal to be mined and processed, ground conditions, the configuration of the coal seams, expected recovery rates of coal from the seams, estimated operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual cash operating costs and economic returns will differ significantly from those estimated for a project prior to production. New mining operations may experience unexpected problems during the start-up phase and delays in the commencement of production can occur. In addition, geological complexity, mining hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from a mine.

The operation of each of the Mmamabula Energy Project and the Mookane Domestic Power Project will be subject to a number of risks and hazards, generally, including adverse environmental and climatic conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory regime, natural phenomena, flooding, delays or failures in obtaining required licences, permits and authorisations, supplies, machinery, equipment or labour and other risks typically associated with mining/industrial/logistical development and operations. Unknown factors with respect to such development and operations are also involved. Existing and future environmental laws may cause significant additional expenses, capital expenditure, restrictions and delays in the development and operation of each of the Mmamabula Energy Project and the Mookane Domestic Power Project, the extent of which cannot be predicted and which may well be beyond CIC Energy's capacity to fund. Environmental and social impact studies may also be required for some operations and significant fines and clean-up responsibilities may be assessed for companies causing damage to the environment in the course of their activities.

The ability to generate power for sale under the PPAs is dependent on factors beyond the control of CIC Energy, including, but not limited to, the availability of the power stations, the volume of coal mined, the price and amount of power sold and the completion of the development of the Mmamabula Energy Project and/or the Mookane Domestic Power Project, as the case may be, within budget and on schedule. Anything which adversely affects price and volume (of either coal or power) and the development of the Mmamabula Energy Project and/or the Mookane Domestic Power Project, as the case may be, could adversely affect the business, financial condition or results of operations of CIC Energy.

Coal mining, coal processing and power generation activities envisaged at the Mmamabula Energy Project and/or the Mookane Domestic Power Project can be demanding on water resources. Sulphur content of the coal must be reduced in accordance with World Bank emission standards. The inability to secure access to water and sorbent in sufficient quantities and/or at cost effective prices may have a negative impact on the operation of the Mmamabula Energy Project and/or the Mookane Domestic Power Project, as the case may be.

For the Mmamabula Energy Project and/or the Mookane Domestic Power Project to deliver electricity, it will be necessary to construct and operate new power transmission lines to connect to the Eskom and/or BPC networks, as the case may be. No assurance can be given that the optimal power line routing can be established, or that it can be established without incurring excessive cost. CIC Energy can also not guarantee that Eskom and/or BPC will be able to construct the necessary power transmission infrastructure in a timely manner for the Mmamabula Energy Project and/or the Mookane Domestic Power Project, as the case may be.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditure, installation of additional equipment, or remedial actions.

Parties engaged in mining or energy operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations, which may adversely affect CIC Energy.

Amendments to current laws, regulations and permits governing operations and activities of mining companies or energy companies, or more stringent implementation thereof, could have a material adverse impact on CIC Energy and cause increases in capital expenditure or operating costs, reduction in levels of coal production, or delays in the development and operation of the Mmamabula Energy Project and/or the Mookane Domestic Power Project. There can be no assurance that income tax laws, royalty regulation and governmental programs relating to the mining and power and other relevant industries in Botswana will not be changed in a manner which adversely affects CIC Energy.

Revenue from the Mmamabula Energy Project is expected to be received in Rand, which may not match the currencies in which a material portion of operating expenses and ongoing capital equipment replacement costs are expected to be incurred. Revenue from the Mookane Domestic Power Project is expected to be received in Pula may not match the currencies in which a material portion of operating expenses and ongoing capital equipment replacement costs are expected to be incurred. Accordingly, foreign currency fluctuations may adversely affect CIC Energy's financial position and operating results. CIC Energy does not currently engage in foreign currency hedging activities for operational purposes or otherwise but CIC Energy does anticipate that substantial hedges and/or cross currency will be required as part of the debt financing process, the failure to enter into either at all or on favourable terms could adversely affect CIC Energy's financial position and operating results.

### ***Financing Risks***

It is expected that the Company will be required to raise additional funding prior to resuming project development activities for the Mmamabula Energy Project. There can be no assurance that such financing will be available in the required amounts or, if available, will be available on favourable terms or in a timely manner so as to enable the Company to proceed with the development of the Mmamabula Energy Project to Financial Close of the MEP. Failure to obtain sufficient financing when needed will result in a delay or indefinite postponement of Financial Close of the MEP and/or development of the MEP, and will have a material adverse effect on CIC Energy's business, financial condition and results of operations. The only current source of funds available to CIC Energy is through the issuance of equity or debt, the monetization of any future development fees that CIC Energy is or may become entitled to, or the entering into of joint venture agreements. Global securities markets continue to be characterised by an absence of liquidity in development stage companies, which may result in severe difficulty in raising equity capital.

The construction and implementation of the Mmamabula Energy Project and/or the Mookane Domestic Power Project will require the raising of debt financing. International debt markets continued to be characterised by an absence of liquidity, which may result in severe difficulty in obtaining commercial debt financing.

In addition to the foregoing, the development of the Mmamabula Energy Project and/or the Mookane Domestic Power Project may require the hedging of a substantial quantity of currency exposure. There is a risk that sufficient hedging capacity may not be available to finance the Mmamabula Energy Project and/or the Mookane Domestic Power Project, as the case may be. In addition, increases in interest rates may increase the cost of project debt funding and adversely impact the Mmamabula Energy Project and/or the Mookane Domestic Power Project, as the case may be. In addition, emerging market currencies and interest rates often display greater sensitivity and volatility than currencies in the G8 and other developed countries.

Credit support may be required from the Government of South Africa and/or the Government of Botswana, respectively, in order to support the financial obligations under the PPAs. The inability to obtain such credit support could adversely affect the ability to secure funding for the Mmamabula Energy Project and/or the Mookane Domestic Power Project, as the case may be.

Consistent with international practice for limited recourse project finance, CIC Energy may be required to pledge all (or substantially all) of its ownership interest in each project to the financial institutions providing such limited recourse project finance for such project as security for the repayment of the funds provided by such financial institutions. In the event that the primary obligor under the financing agreements for a project fails to comply with its obligations under such financing agreements, such financial institutions may exercise contractual rights to enforce their security interest over CIC Energy's ownership interest in the relevant project, which may result in CIC Energy losing all or part of its investment in the relevant project.

## **16. Outlook**

### *Corporate Activities*

In a press release on October 8, 2010, the Company announced that it has agreed to enter into exclusive negotiations in respect of a non-binding proposal received from a multi-billion dollar conglomerate to acquire at least 51%, and up to 100%, of the Company's issued and outstanding common shares at a non-binding price of \$7.75 per share payable at closing. The Company also announced that it has engaged Deutsche Bank Securities Inc. as its financial advisor to the special committee of independent directors to, among other things, assist in the assessment and negotiation of this potential transaction. No assurances can be given that the Company will enter into a definitive binding acquisition agreement with respect to the non-binding proposal or respecting the final terms and conditions of such agreement.

### *Project Development Activities*

The major milestones to be achieved on the Mmamabula Energy Project are expected to be: approval and publication of the IRP2010 in South Africa; completion of negotiations with equity investors (including an IPP partner to operate the MEP power station); completion of negotiations and execution of the PPA(s); approval of the PPA(s) by the Government of South Africa and NERSA; completion of negotiations and execution of contracts for mine and infrastructure development; completion of negotiations and execution of various documents with the Government of Botswana; issuance of an IPP licence, mining licence and other licences and permits; negotiation and execution of financing documents with the project lenders; and satisfaction of the conditions precedent to the disbursement of funds and start of construction.

The major milestones to be achieved on the Mookane Domestic Power Project are expected to be: incorporation of Mookane Power Holdings and transfer of ownership of Mookane Minerals to Mookane Power, and ownership of Mookane Power to Mookane Power Holdings; submission to the Government of Botswana of environmental impact assessments, and applications for an IPP licence and construction permits; conclusion of negotiations and signing of the MDPP EPC Contract; signing of a Power Purchase Agreement with Botswana Power Corporation; signing of the agreements mentioned above with the Government of Botswana; receipt of mining and power generation licenses, construction permits, and approval of environmental impact assessments; commencement of equipment procurement, site access and preparation and provision of construction utilities; and Financial Close for the MDPP and the commencement of full construction

With respect to the Export Coal Project, the primary activities to be undertaken are engagement with potential developers of the Trans Kalahari Railway Line, once identified, regarding access thereto for the purposes of exporting coal to the international markets, completion of environmental impact assessments, and development of mine plans.

With respect to the CTH Project, the primary activities to be undertaken are receipt and evaluation of the proposals regarding the production of low sulphur diesel fuel and associated products primarily for the domestic Botswana market

utilising clean above ground coal gasification technology and Fischer-Tropsch technology, identification of preferred investment partners, and completion of environmental impact assessments and a bankable feasibility study.

#### **17. Cautionary Statement Regarding Forward-Looking Statements**

This MD&A contains certain "forward-looking statements". All statements, other than statements of historical fact, that address activities, events or developments that CIC Energy believes, expects or anticipates will or may occur in the future are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of CIC Energy based on information currently available to CIC Energy. Such forward-looking statements include, among other things, statements relating to: the proposal to acquire the Company; the Regulations; approval, content and publication of the final IRP2010 in South Africa and the timing of same; the public consultation process in connection with the IRP2010; the implementation and completion of the regulatory approval process in South Africa; the Company's intentions to reassess the project development program for the MEP following the approval and gazetting of the IRP2010, including seeking a further extension of the EPC contract with SEC; the Mmamabula Energy Project; the Mookane Domestic Power Project; the proposed ownership structure for the MDPP; the Company's expectations regarding the MDPP Shareholders' Agreement, including the timeline and milestones for development of the MDPP and the Company's required equity contributions; the planned capacity of the coal mine for the MDPP; the estimated cost of capital equipment and infrastructure for the MDPP; the Company's ability to raise funding; the request to further divide prospecting licence 11/2004 in connection with the development process for the MDPP; the Company's expectation that it will transfer the coal resources to be used for the MDPP from CIC Resources (Botswana) to Mookane Minerals; the design of the MDPP Power Station; the timing of the intended application for an IPP licence in respect of the MDPP power station; the adaptation of certain of the work that was done in preparation of the MEP for the purposes of the MDPP and its effect on the timing of the development of the MDPP; the financing structure for the MDPP and expected sources of financing; the deferral of development activities at the MEP unrelated to the regulatory approval processes until the completion of the IRP2010; development activities, anticipated milestones, and planned operations of CIC Energy; the demand for power in southern Africa; anticipated expenditures (including equity expenditures under the MDPP Shareholders' Agreement) and the Company's expectation that it has sufficient cash and cash equivalents to satisfy same through to August 31, 2011; the negotiation of PPAs for the Mmamabula Energy Project and/or the Mookane Domestic Power Project; the achievement of Financial Close of each of the MEP and the MDPP; discussions with IPR regarding a new Project Development Agreement; estimates and/or assumptions in respect of mineral and ground water resources, mineral resource qualities, targets, future production, goals, scheduling, objectives and plans; future financing; and future economic, market and other conditions.

Forward-looking statements are subject to significant risks and uncertainties and other factors that could cause the actual results to differ materially from those discussed in the forward-looking statements, and even if such actual results are realised or substantially realised, there can be no assurance that they will have the expected consequences to, or effects on, the Company. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: delays or failure in entering into a definitive agreement in respect of a proposal to acquire the Company, on favourable terms or at all; delays or failure in the preparation and completion of the IRP2010 or the implementation of the regulatory approval process in South Africa necessary to achieve Financial Close of the MEP; further delays or failures in entering into PPAs and/or transmission agreements with Eskom and/or BPC and other requisite agreements for the development, operation and financing of the Mmamabula Energy Project and/or the Mookane Domestic Power Project, on favourable terms or at all; delay in, or failure of, GCL Botswana to comply in all material respects with the terms and conditions of the MDPP Shareholders' Agreement; the failure of the counterparties to such requisite agreements (including the EPC contract with SEC) to comply in all material respects with the terms and conditions of such agreements; the failure to complete agreements with equity partners, including an arrangement with an IPP partner on favourable terms or at all; the inability to raise the required debt or equity financing for funding the Company's development activities to reach Financial Close of each of the MEP and the MDPP and/or the implementation of the Mmamabula Energy Project and/or the Mookane Domestic Power Project on favourable terms or

at all; capital equipment, infrastructure and operating costs varying significantly from estimates; delays in the development of the Mmamabula Energy Project and/or the Mookane Domestic Power Project caused by delays in reaching necessary agreements with relevant counterparties, events of force majeure, the unavailability of equipment, labour or supplies, climatic conditions or otherwise; the failure to obtain acceptable tariffs and/or concessions, including tax concessions, from the Government of Botswana; the Minister of Energy in South Africa electing to procure new power generation capacity from other sources or the National Energy Regulator of South Africa failing to approve cost recovery or grant an import licence to the designated buyer; inability to adapt certain of the work that was done in preparation of the MEP for the purposes of the MDPP; inability to obtain requisite credit support from the Government of South Africa and/or the Government of Botswana in relation to the Mmamabula Energy Project and/or the Mookane Domestic Power Project; delays or failures in obtaining regulatory permits and/or licences (and renewals thereof) and authorisations respecting mining, power generation and/or power transmission lines and other transportation and industrial activities; in respect of licence areas that the Company has relinquished, the failure to have identified the areas with the least exploitable coal and/or where such coal is least likely to be exploited on a commercially attractive basis; the existence of undetected or unregistered interests or claims, whether in contract or tort, over the properties of the Company and its subsidiaries; the loss of any key executives, employees or consultants; inflation; changes in exchange rates; the unavailability of sufficient hedging capacity to finance the MEP and/or the MDPP; volatility of and sensitivity to market prices for coal and prices (market or otherwise) for electricity; changes in anticipated demand for power in southern Africa; changes in equity and debt markets; environmental and safety risks, including increased regulatory burdens; insufficient or sub-optimal transportation and transmission capacity; geological and mechanical conditions; availability of water and sorbent; amendments to the laws of South Africa or Botswana that may be prejudicial to the development of the Mmamabula Energy Project and/or the Mookane Domestic Power Project, or the failure to obtain amendments to any such laws that may be necessary to implement the Mmamabula Energy Project and/or the Mookane Domestic Power Project; political risks arising from operating in Africa; limited capacity among EPC firms; insurance risks; lack of markets for the Company's coal resources; the failure to complete, or delays in the completion of, positive environmental impact assessments and bankable feasibility studies in respect of the Export Coal Project; the failure to develop a viable transportation solution to export coal (with or without the participation of the relevant local governments); the grade, quality and recovery of coal which is mined varying from estimates; or other factors (including development and operating risks).

Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, CIC Energy disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although CIC Energy believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.