



CIC ENERGY CORP.

**Consolidated Financial Statements
expressed in Canadian Dollars
for the year ended November 30, 2006 and the period from March 10,
to November 30, 2005**

Management's Responsibility for Financial Information

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

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

Gregory Kinross, President and CEO

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

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

Sue Myburgh, CFO February 22, 2007

Auditors' Report

**To the Shareholders of CIC Energy Corp.
(formerly Coal Investment Corp.)**

We have audited the consolidated balance sheets of CIC Energy Corp. (formerly Coal Investment Corp.) as at November 30, 2006 and 2005; and the consolidated statements of operations, deficit and cash flows for the year ended November 30, 2006 and the period March 10, to November 30, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2006 and 2005; and the results of its operations and its cash flows for the year ended November 30, 2006 and the period March 10, to November 30, 2005 in accordance with Canadian generally accepted accounting principles.

KPMG Inc.
Registered Auditor

Per SA Barnfather
Chartered Accountant (SA)
Registered Auditor
Director
February 22, 2007

KPMG Crescent
85 Empire Road
Parktown
Johannesburg
South Africa

CIC Energy Corp.
(formerly Coal Investment Corp.)
Consolidated Balance Sheets
At November 30, 2006 and 2005

	<u>Note</u>	<u>2006</u>	<u>2005</u>
Assets			
Current assets:			
Cash		\$ 27,910,965	\$ 5,547,954
Other receivables		296,087	43,905
Prepayments		<u>218,101</u>	<u>—</u>
		28,425,153	5,591,859
Non-current assets			
Property and equipment	5	225,264	5,190
Mineral assets	6	3,131,931	—
Exploration properties	7	<u>48,103,307</u>	<u>3,736,109</u>
		<u>\$ 79,885,655</u>	<u>\$ 9,333,158</u>
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 3,498,367	\$ 1,551,994
Shareholders' equity			
	8	<u>76,387,288</u>	<u>7,781,164</u>
		<u>\$ 79,885,655</u>	<u>\$ 9,333,158</u>
Commitments	13		
Subsequent events	14		

Approved on behalf of the directors:

Warren E. Newfield

Gregory Kinross

See accompanying notes to the consolidated financial statements.

CIC Energy Corp.
(formerly Coal Investment Corp.)
Consolidated Statements of Operations
For the year ended November 30, 2006 and the period March 10 to November 30, 2005

	<u>Note</u>	<u>12 months</u> <u>2006</u>	March 10 to November 30 <u>2005</u>
Other income and expenses			
Interest received		\$ 1,116,325	\$ 12,568
Profit / (loss) on foreign exchange		<u>528,308</u>	<u>(243,205)</u>
		<u>\$ 1,644,633</u>	<u>\$ (230,637)</u>
Corporate and exploration expenses			
Office and general expenses		\$ 2,284,521	\$ 172,034
Personnel expenses		1,067,518	152,151
Management fees		274,061	137,464
Listing fees		88,523	-
Operating lease expenses		53,625	3,292
Depreciation		17,604	476
Interest paid		<u>801</u>	<u>28</u>
		<u>\$ 3,786,653</u>	<u>\$ 465,445</u>
Net loss before income taxes		\$ (2,142,020)	\$ (696,082)
Income taxes	9	<u>(55,268)</u>	<u>(4,942)</u>
Net loss		<u>\$ (2,197,288)</u>	<u>\$ (701,024)</u>
Basic and diluted loss per share	11	<u>\$ (0.06)</u>	<u>\$ (0.04)</u>

See accompanying notes to the consolidated financial statements.

CIC Energy Corp.

(formerly Coal Investment Corp.)

Consolidated Statements of Deficit

For the year ended November 30, 2006 and the period March 10 to November 30, 2005

	<u>Note</u>	<u>12 months</u> <u>2006</u>	March 10 to November 30 <u>2005</u>
Deficit, beginning of year / period		\$ (1,295,636)	\$ —
Net loss for the year / period		(2,197,288)	(701,024)
Share issue costs		<u>(4,862,511)</u>	<u>(594,612)</u>
Deficit, end of year / period	8	<u>\$ (8,355,435)</u>	<u>\$ (1,295,636)</u>

See accompanying notes to the consolidated financial statements.

CIC Energy Corp.
(formerly Coal Investment Corp.)
Consolidated Statements of Cash Flows
For the year ended November 30, 2006 and the period March 10 to November 30, 2005

	<u>Note</u>	12 months <u>2006</u>	March 10 to November 30 <u>2005</u>
Cash Flows from Operating Activities			
Net loss		\$ (2,197,288)	\$ (701,024)
Items not affecting cash			
Depreciation		17,604	476
Unrealised operational foreign exchange (gain) / loss		(528,308)	243,205
Stock based compensation		194,356	—
Taxation expense		55,268	4,942
Net operating working capital changes	12(a)	1,410,576	1,504,107
Taxation paid		—	—
Net cash flow from operating activities		<u>\$ (1,047,792)</u>	<u>\$ 1,051,706</u>
Cash Flows from Investing Activities			
Purchase of equipment		\$ (237,678)	\$ (5,666)
Mineral asset development expenditure		(3,131,931)	—
Net cash acquired on acquisition of Ophir		10,938	—
Exploration properties expenditure		<u>(41,908,828)</u>	<u>(3,980,274)</u>
Net cash flow from investing activities		<u>\$(45,267,499)</u>	<u>\$ (3,985,940)</u>
Cash Flow from Financing Activities			
Proceeds from issue of share capital and warrants		\$ 72,009,152	\$ 9,076,800
Share issue expenses		<u>(3,330,159)</u>	<u>(594,612)</u>
Net cash flow from financing activities		<u>\$ 68,678,993</u>	<u>\$ 8,482,188</u>
Increase in cash and cash equivalents		\$ 22,363,702	\$ 5,547,954
Translation		(691)	—
Cash, beginning of year / period		5,547,954	—
Cash, end of year / period		<u>\$ 27,910,965</u>	<u>\$ 5,547,954</u>

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended November 30, 2006 and the period March 10, 2005 to November 30, 2005.

1. NATURE OF OPERATIONS

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

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

The acquisition of Ophir was accounted for as a reverse takeover transaction that does not constitute a business combination as Ophir does not meet the definition of a business for accounting purposes. The transaction is a capital transaction in substance rather than a business combination for accounting purposes. Under the takeover transaction CIC is treated as the acquirer and Ophir as the acquiree.

The net monetary liability acquired was as follows:

Assets acquired:	
Cash	\$10,938
Liabilities assumed:	
Current liabilities	<u>\$20,268</u>
<u>Net monetary liability:</u>	<u>\$ 9,330</u>

Upon completion of the consolidation of CIC and Ophir, effective March 14, 2006 (i) the issued and outstanding shares of CIC (38,350,116 shares) and Ophir (1,001,405 shares) were exchanged on a one to one basis for common shares of CIC and (ii) the common share purchase warrants and broker warrants of CIC (5,987,590 warrants) were exchanged on a one to one basis for common share purchase warrants and broker warrants, respectively, of CIC.

Effective December 16, 2005, CIC subscribed for a 51% interest in Meepong Resources (Proprietary) Limited ("MRPL") after completion of the funding of US\$2 million for exploration and development of two prospecting licences. Effective January 3, 2006, the holder of the remaining interest in MRPL exercised its right to sell its interest of 49% therein to CIC in exchange for 5,606,250 common shares of CIC together with a cash consideration of US\$2 million.

The Company is a development stage enterprise as it devotes substantially all of its efforts to establishing a new business and planned principal operations have not yet commenced, which activities are indicative of a developmental stage enterprise.

These consolidated financial statements for the years ended November 30, 2006 and the period March 10 to November 30, 2005 comprise CIC and its wholly-owned subsidiaries, MRPL, Meepong Energy (Proprietary) Limited and Coal Investment Corp Services (Pty) Ltd, (together, the "Company").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

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

(b) Principles of consolidation

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

(c) Translation of foreign currencies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended November 30, 2006 and the period March 10 to November 30, 2005.

amounts are included in the consolidated statements of operations.

(d) Property and equipment

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

(e) Leasehold improvements

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term of 5 years or their estimated useful lives.

(f) Mineral assets

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

(g) Exploration properties

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

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

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

(h) Income taxes

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

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

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

(i) Use of estimates

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

(j) Loss per share

Basic loss per share ("EPS") is calculated by dividing net loss by the weighted average number of shares outstanding during the year. Diluted EPS data is calculated using the treasury stock method. In applying the treasury stock method, options with an exercise price greater than the average quoted market price of the common shares are not included in the calculation of diluted earnings per share, as the effect is anti-dilutive.

(k) Cash

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

(l) Impairment of long-lived assets

Long-lived assets, including property and equipment, mining assets 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended November 30, 2006 and the period March 10 to November 30, 2005.

assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted cash future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognised by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

(m) Stock-based compensation

The Company has a stock-based compensation plan for agent options and compensation warrants, employees and property acquisition agreements, which is described in note 8. The Company accounts for all stock-based payments to non-employees under the fair value based method and accounts for all stock-based employee awards that call for settlement by the issuance of equity instruments under that method.

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

3. CHANGE IN METHODS OF ACCOUNTING

Effective March 1, 2005, the Company changed its method of accounting from International

Financial Reporting Standards ("IFRS") to Canadian generally accepted accounting principles ("GAAP"). The comparative financial statements included in these financial statements have been restated following Canadian GAAP. This change in accounting method resulted from the merger with Ophir and the subsequent listing on the Toronto Stock Exchange (see note 1).

Under Canadian securities requirements, the Company is required to provide, for all years presented, a reconciliation setting out the differences between Canadian GAAP and IFRS as applied to the Company's financial statements for each of the Company's annual filings in the years ending November 30, 2006 and 2005. This required disclosure is set out in Note 16.

4. FINANCIAL ASSETS AND LIABILITIES

(i) Fair values

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

(ii) Foreign exchange risk

The Company carries out a significant portion of its transactions in currencies other than its reporting currency.

No hedging instruments are used as uncertainty exists as to the exact settlement dates of these transactions. Cash is held in the currency of the expected payment to reduce risks related to short-term fluctuations in foreign currencies.

(iii) Interest rate risk

The Company is not exposed to significant interest rate risk.

(iv) Credit risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended November 30, 2006 and the period March 10 to November 30, 2005.

5. PROPERTY AND EQUIPMENT

	2006			2005		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
<i>Owned assets</i>						
Plant and equipment	\$ 55,711	\$ 958	\$ 54,753	\$ -	\$ -	\$ -
Motor vehicles	9,076	-	9,076	-	-	-
Office equipment and furniture	146,939	12,899	134,040	5,666	476	5,190
	<u>\$ 211,726</u>	<u>\$ 13,857</u>	<u>\$ 197,869</u>	<u>\$ 5,666</u>	<u>\$ 476</u>	<u>\$ 5,190</u>
<i>Leasehold improvements</i>						
Office suite improvements	31,618	4,223	27,395			
	<u>\$ 243,344</u>	<u>\$ 18,080</u>	<u>\$ 225,264</u>	<u>\$ 5,666</u>	<u>\$ 476</u>	<u>\$ 5,190</u>

6. MINERAL ASSETS

2006	Balance, beginning of year	Additions	Disposals	Balance, end of year
Mmamabula Mine Development	\$ -	\$ 3,131,931	\$ -	\$ 3,131,931

Mmamabula Mine Development

CIC and International Power plc ("IPR") have reached an Understanding in Principle regarding the development of the Mmamabula coal mine, whereby IPR, through a new holding company to be established, will acquire an indirect 50% interest in Meepong Resources (Pty) Limited, CIC's Botswana subsidiary which holds the exploration licences for Mmamabula East and South. Final commercial terms are still being negotiated. \$3,131,931 is the value of development work carried out on the mine project.

7. EXPLORATION PROPERTIES

2006	Balance, beginning of year	Additions	Disposals	Balance, end of year
Mmamabula	\$ 3,736,109	\$ 44,367,198	\$ -	\$ 48,103,307

2005	Balance, beginning of period	Additions	Disposals	Balance, end of period
Mmamabula	\$ -	\$ 3,376,109	\$ -	\$ 3,376,109

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended November 30, 2006 and the period March 10 to November 30, 2005.

Mmamabula - Botswana

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

8. SHAREHOLDERS' EQUITY

Shareholders' equity is comprised as follows:

	2006	2005
Capital stock (a)	\$ 83,016,015	\$ 9,076,800
Deficit	(8,355,435)	(1,295,636)
Options (c)	189,859	-
Warrants (b)	1,532,352	-
Contributed surplus	4,497	-
	<u>\$ 76,387,288</u>	<u>\$ 7,781,164</u>

Balance November 30, 2006	43,424,021	\$ 83,016,015
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(a) Capital stock

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

	<u>Number</u>	<u>Amount</u>
Issue of shares at inception	15,000,000	\$ 18,300
Private placement July 19, 2005 (i)	6,825,000	8,326,500
Private placement July 29, 2005 (i)	600,000	732,000
Balance November 30, 2005	22,425,000	\$ 9,076,800
Purchase the balance of 49% of MRPL on January 3, 2006 (Note 1) (iv)	5,606,250	1,930,063
Private placement February 13, 2006 (ii)	2,666,666	11,448,020
Private placement March 13, 2006 (iii)	7,652,200	52,800,180
Ophir Investments – merger allocation (Note 1)	1,001,405	-
Warrants exercised	3,712,500	7,348,284
Broker warrants exercised	360,000	412,668

(i) On July 19, 2005, the company completed a non-brokered private placement financing of 6,825,000 units for gross proceeds of \$8,326,000. Each unit consists of one common share and one half of one warrant. Each warrant entitles the holder to purchase one common share of CIC at a price of \$2.03 (US\$1.75) on or before March 23, 2009.

On July 29, 2005, the company completed a non-brokered private placement financing of 600,000 units for gross proceeds of \$732,000. Each unit consists of one common share and one half of one warrant. Each warrant entitles the holder to purchase one common share of CIC at a price of \$2.03 (US\$1.75) on or before March 23, 2009.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended November 30, 2006 and the period March 10 to November 30, 2005.

(iv) Per the shareholders agreement between CIC and Meepong Investments (Pty) Limited, 49% of MPRL would be transferred to CIC in return for 5,606,250 shares of US\$.30 each issued by CIC, together with a cash payment of US\$2,000,000.

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

(b) Warrants

(i) Agent options and compensation warrants

Of the outstanding warrants, 122,625 entitle the holder to purchase one common share per warrant at the exercise price of US\$1.00 (CA\$1.109) per share, expire on July 21, 2007 and are exercisable at any time. Warrants of 459,132 entitle the holder to purchase one common share at C\$6.90 until March 24, 2007.

	<u>Warrants</u>	<u>Weighted average price</u>
Issued - July 21, 2005 (Note 8a(i))	482,625	\$1.16
Balance November 30, 2005	482,625	\$1.16
Issued - March 13, 2006 (Note 8a(iii))	459,132	\$6.90
Exercised - April 11, 2006	(160,000)	\$1.16
Exercised - June 1, 2006	(100,000)	\$1.14
Exercised - November 30, 2006	(100,000)	\$1.13
Balance November 30, 2006	581,757	\$5.68

(ii) Other Warrants

Warrants of 1,333,333 entitle the holder to purchase one common share at C\$6.90 until March 23, 2007. Warrants of 150,000 entitle the holder to purchase one common share at C\$8.06 until August 31, 2008.

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

	<u>Warrants</u>	<u>Weighted average price</u>
Issued - July 19, 2005 (Note 8a(i))	3,412,500	\$2.03
Issued - July 29, 2005 Note 8 a(i))	300,000	\$2.03
Balance November 30, 2005	3,712,500	\$2.03
Exercised	(3,712,500)	\$2.03
Issued - February 13, 2006 (Note 8 a(ii))	1,333,333	\$6.90
Issued - August 31, 2006 (Note 8 b(ii))	150,000	\$8.06
Balance November 30, 2006	1,483,333	\$7.02

The exercise price of the warrants are determined by reference to the closing price of the share at the date of issue of the warrants.

As at November 30, 2006 warrants outstanding due to brokers' compensation warrants and share subscription warrants were as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended November 30, 2006 and the period March 10 to November 30, 2005.

Number of Common Shares Subject to Warrants	Exercise Price	Expiry Date	Issued – November 2, 2006	110,000	\$8.61
			Cancelled	(70,000)	\$6.90
				(40,000)	\$8.00
1,333,333	\$6.90	23-Mar-2007			
459,132	\$6.90	24-Mar-2007			
122,625	\$1.11	21-Jul-2007			
<u>150,000</u>	\$8.06	31-Aug-2008			
<u>2,065,090</u>					
			Balance November 30, 2006	3,915,000	\$7.09

Of the above options, the following options have vested at November 30, 2006:

Issued April 17, 2006. 738,750

(c) Options

The Company has a rolling ten percent stock option plan in terms of which stock options are issued to directors, officers, employees and key consultants from time to time. Options granted may be exercised during a period not exceeding eight years, subject to earlier termination under various circumstances. The exercise price may not be less than the minimum price stipulated by applicable regulators.

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

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

The stock options outstanding at November 30, 2006 expire as follows:

	Price	Number of options
April 17, 2014	\$6.90	2,955,000
July 26, 2014	\$8.00	850,000
November 2, 2014	\$8.61	<u>110,000</u>
Total		<u>3,915,000</u>

The fair value of options cancelled is included in contributed surplus.

The total stock compensation recognised in the Statement of Operations is \$194,356 for the year ended November 30, 2006.

9. INCOME TAXES

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

	<u>Options</u>	<u>Weighted average price</u>
Balance November 30, 2005		
Issued - April 17, 2006	3,025,000	\$6.90
Issued - July 26, 2006	890,000	\$8.00

		2006	2005
Current tax expense	%		
BVI	0%	\$ –	\$ –
South Africa	29%	55,268	4,942
Botswana	15%	–	–
		<u>\$ 55,268</u>	<u>\$ 4,942</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended November 30, 2006 and the period March 10 to November 30, 2005.

	2006	2005
Reconciliation of effective tax rate		
Loss before tax	\$(2,141,060)	\$ (697,042)
Tax rate BVI 0% (2005: 0%)	—	—
Effect of foreign jurisdictions 3% (2005: 1%)	<u>55,268</u>	<u>4,942</u>
Effective tax rate 2% (2005: 1%)	<u>\$ 55,268</u>	<u>\$ 4,942</u>

(b) The tax basis of the Company's Botswana and South African assets converted at year-end exchange rates results in a temporary difference, whereby the translated tax base is different than the Company's carrying value for accounting purposes. The tax effect of this temporary difference has not been recognised as a deferred tax asset, as future taxable income is not certain due to the risks associated with exploration ventures. These losses do not have expiry dates.

Deferred tax assets can be summarised as follows:

	2006	2005
Deductible temporary differences	\$ 7,694,479	\$ 560,416
Valuation allowance	<u>(7,694,479)</u>	<u>(560,416)</u>
	<u>\$ —</u>	<u>\$ —</u>

10. RELATED PARTY TRANSACTIONS

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

	2006	2005
Administrative services ¹	\$ 267,626	\$ 137,464

	2006	2005
Consideration paid to original shareholders of Meepong Resources (Pty) Ltd. ²	\$4,225,195	\$ 580,000

1. CIC carries on business outside Canada. CIC purchases administrative, advisory and investor relation services from a company that shares a common director to assist in fulfilling its ongoing obligations as a reporting issuer listed for trading on a stock exchange in Canada. On August 1, 2005, the Company entered into an administrative service agreement (the "Agreement") with Tau Capital Corp. ("Tau"). The Agreement has an initial term of three years, terminating on July 31, 2008, subject to further renewal by the parties to the agreement. The terms of the Agreement required the company to pay a monthly service fee of US\$18,000 until the listing of the Company's shares on a Canadian stock exchange. As the shares are now listed, the agreement calls for Tau to be paid a monthly service fee of US\$23,000.
2. The total consideration paid to acquire 100% of Meepong Resources (Pty) Limited (MRPL) from the original shareholders. (See Note 8a(iv))
3. Coal Investment Corporate Services (Pty) Limited (CICS) shares offices with AfriOre (Pty) Limited, the holding companies of both have a common director. Refer note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended November 30, 2006 and the period March 10 to November 30, 2005.

11. LOSS PER COMMON SHARE

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

	2006	2005
Numerator – Basic and Diluted		
Net loss	<u>\$(2,197,288)</u>	<u>\$(701,024)</u>
Denominator - Basic and Diluted Weighted average number of shares	39,397,098	18,745,771
Basic and diluted loss per share	\$ (0.06)	\$ (0.04)

3,915,000 share options and 2,065,090 warrants have been excluded in the calculation as their exercise would be anti-dilutive.

12. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Change in non-cash working capital items

	2006	2005
Other receivables	\$ (252,182)	\$ (43,905)
Prepayments	(218,101)	–
Accounts payable and accrued liabilities	<u>1,880,859</u>	<u>1,548,012</u>
Change in non-cash working capital	<u>\$ 1,410,576</u>	<u>\$ 1,504,107</u>

(b)

Changes in non-cash elements of financing and investing activities

	2006	2005
Exploration properties	\$ 1,930,063	–

The non-cash movements in exploration properties relate to shares issued in CIC as part of the acquisition of MRPL.

13. COMMITMENTS

In terms of the assignment of lease agreement between CICS and AfriOre (Pty) Limited, CICS

has future operating lease commitments for equipment and buildings amounting to \$680,097, ending February 28, 2011. Annual payments are:

2007	\$ 141,767
2008	\$ 154,139
2009	\$ 167,618
2010	\$ 173,121
2011	<u>\$ 43,452</u>
	<u>\$ 680,097</u>

In terms of a lease signed by CICS, CICS has future operating lease commitments for equipment and buildings amounting to \$184,965 ending January 31, 2008. Annual payments are:

2007	\$ 158,254
2008	<u>\$ 26,711</u>
	<u>\$ 184,965</u>

In terms of a lease signed by Meepong Resources (Pty) Limited, Meepong Resources has future operating lease commitments for equipment and buildings amount to \$16,538 ending December 31, 2007. Annual payments are:

2007	\$ 15,266
2008	<u>\$ 1,272</u>
	<u>\$ 16,538</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended November 30, 2006 and the period March 10 to November 30, 2005.

14. SUBSEQUENT EVENTS

Acquisition of Southern African Development Through Electricity (Pty) Limited

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

SAD-ELEC is a leading consultancy group in the Southern African energy sector, with extensive experience in providing energy-related advisory services to utilities, governments, major energy consumers, fuel suppliers and financiers. SAD-ELEC has served as a strategic advisor to CIC since August, 2005, focusing on legal, regulatory and utility issues, power market analysis, commercial arrangements, and transmission integration for the Mmamabula Energy Project ("Mmamabula") into the Botswana and South African power grids.

Pursuant to the Agreement, a wholly-owned subsidiary of CIC has agreed to purchase SAD-ELEC's "Core Business", effective January 1, 2007. This includes SAD-ELEC's consulting, advisory and management business, along with the services of certain senior executives. The senior executives will be managing key aspects of Mmamabula, in particular related to the planned implementation and operations phases. Certain of these executives, plus other SAD-ELEC personnel, will be temporarily seconded to the completion of existing contractual obligations of SAD-ELEC. Commercial terms of the Agreement include a cash payment of R6.5 million (approximately CA\$1.07 million) and the issuance of 130,000 common shares and 100,000 common share purchase warrants of CIC. Each warrant will entitle the holder to purchase one common share of CIC at CA\$11.00 until January 1, 2009.

Financing Activities

On February 8, 2007 CIC announced that it had entered into a bought deal private placement with a syndicate of underwriters led by Westwind Partners Inc. The underwriters have agreed to purchase, on a bought deal private placement basis, 1,666,667 common shares of the Company at a price of CA\$15.00 per share, for aggregate gross proceeds of approximately CA\$25,000,000. The underwriters will have the option to purchase up to an additional 533,333 common shares at the issue price for a period of up to 48 hours prior to closing for additional gross proceeds of up to CA\$8,000,000. CIC plans to use the net proceeds of this financing for general corporate purposes.

15. SEGMENT REPORTING

The Company comprises of one significant business segment which relates to the acquisition, exploration and development of coal properties in Botswana. The geographical segment of these activities is reflected in note 7.

16. RECONCILIATION OF CANADIAN GAAP AND IFRS

Statement of Operations	2005
As previously reported	\$(701,984)
Translation reserve (a)	<u>960</u>
As restated	<u>\$(701,024)</u>

(a) In terms of Canadian GAAP, the translation gain/loss arising on integrated foreign operations is included in the Statement of Operations.

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

Directors

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

Elvidge Mhlauli – resigned 15 December 2006.

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Management

Greg Kinross, CEO
Tore Horvei, COO – appointed 1st January 2007.
Sue Myburgh, CFO

Francois Badenhorst resigned 1st January 2007

CIC Energy Corp.

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TSX symbol: ELC
BSE Name: CIC ENERGY

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