

cline mining corporation

ANNUAL REPORT
2002



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REPORT TO THE SHAREHOLDERS

Dear Fellow Shareholders:

The Company announced on April 3, 2003 that it will proceed together with the Mitsui Matsushima Co. Ltd. of Japan Group in a program for the acquisition, exploration and development of coal mines and properties. The initial focus of the coal mine development program will be in Canada. Mitsui Matsushima International Pty. Ltd., which is the coal mining, development and coal marketing arm of the Mitsui Matsushima Group of companies, has agreed to purchase an initial 3 million shares of the Company under a private placement of Units which will permit it to purchase an additional 1.5 million shares at agreed pricing. Mitsui Matsushima International will be entitled to nominate one or more people to be members of the Board of the Company. Under the arrangements, the Mitsui Group will be appointed exclusive marketing and sales agent under normal commercial terms with respect to coal production from the coal mine acquisition and development program.

Mitsui Matsushima International, as mentioned, is the international coal mining and marketing subsidiary of **Mitsui Matsushima Co. Ltd.** of Japan. The **Mitsui Matsushima** coal mining Group has an experienced coal mine management, technical, operating and coal marketing team and operates in Australia, Indonesia, China and North America. In Canada the Mitsui Matsushima coal Group has a joint venture interest in the Pine Valley coal mine development and a share equity position in Western Canadian Coal Corporation, both of which are located in the northeast coalfields area of British Columbia.

The existing management and Board of Directors of **Cline Mining Corporation** includes an group of people with extensive experience in coal mine exploration, development, construction, operation, as well as in the financing large scale coal mines developments and marketing of coal mine products. The two companies bring together complimentary and experienced coal mining industry management, technical, financial and commercial team.

The \$300,000.00 funding by **Mitsui Matsushima** under the private placement will be used to provide **Cline Mining** with its initial working capital requirements to commence the acquisition, exploration and development of coal mine resource properties.

The Company has also now eliminated the debt of U.S.\$65,000 (CDN \$101,777) which was outstanding at November 30, 2002 and is shown on the Balance Sheet accompanying this Report. The debt will be eliminated by way of conversion into common shares of the Company.

The above arrangements with respect to the private placement to Mitsui Matsushima International Pty. Ltd. as well as the conversion of the U.S. \$65,000 debt, are subject to the usual regulatory approvals.

The Company also owns 100% of the **Cline Lake Gold property** which is located in Jacobson Township 50 kilometers north east of Wawa, Ontario. The **Cline Lake Gold Mine** was a small gold producer up to the early 1940's and has four shafts, the deepest going to 1165 feet, with eight development levels. The Property is in the vicinity of the former **Kremzar** and **Magino** mines and is adjacent to the **Edwards** property. Significant work has been done on the **Cline Lake Gold property**, including 50,000 feet of drilling in an exploration program by Noranda Exploration to 1990 identified four areas on the property with economic potential. Subsequently Win-Eldrich Mines Limited carried out an eight hole drilling program to June 1998 targeting an alteration zone, north of an extensive porphyry body previously intersected by Noranda Explorations. Win-Eldrich reported in June 1998 that each of the eight holes intersected the alteration, which has a drilled width of up to 73 feet, and that highly variable gold values intersected to date range from 0.059 ounces ton to multi ounce intercepts in quartz vein areas with visible gold. Work stopped in 1998 as the gold price and outlook did not improve and general interest in gold diminished. The Company will review the Cline Lake Gold property development.

As previously reported, the Company had been rendered virtually inactive following the forceful confiscation of its gold, uranium and other resource properties in Zimbabwe due to the serious well publicized political situation which arose and persists in the country.

The entrance by the Company into the coal mining industry sector will be an important new mining resource direction and opportunity for the Company. It will enable us to apply and focus our existing strong management, technical and coal mining experience and abilities, together with a strong international partner, to provide significant synergies and opportunities in this important resource industry.

"Ken Bates"
President

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION

The following management discussion and analysis of operating results and financial condition should be read in conjunction with the consolidated financial statements.

DESCRIPTION OF THE BUSINESS OF THE COMPANY

The Company's activities to date have been focused on the exploration for precious and base metals in Canada and Africa.

RESULTS OF OPERATIONS AND OTHER INCOME / EXPENSE

The Company's loss from operations for the year increased to \$125,951 from \$114,946 principally due to the increased cost of legal, audit, travel, transfer costs and filing fees. The larger loss for the year has been somewhat offset by a foreign exchange gain of \$15,279. This foreign exchange gain of \$15,279 compared to a loss of \$7,823 in 2001 is a result of the strengthening of the Canadian dollar against the United States dollar with respect to the convertible loan and the amount due to related party which are denominated in United States dollars.

During 2001, the Company wrote down the value of its marketable securities to reflect the permanent impairment in the value of these securities. No further write down was necessary during 2002 and fewer securities being sold.

The loss on sale of marketable securities in the amount of \$13,259 compared to a loss in 2001 of \$109,325 is due to higher prices being obtained when the securities were disposed of during 2002.

During 2001, the Company wrote off the debt relating to the Zimbabwe operations resulting in a gain of \$382,701.

LIQUIDITY OF CAPITAL RESOURCES

The working capital deficiency as at November 30, 2002 of \$163,783 shows a reduction in working capital deficiency of \$81,908 from the 2001 level of \$245,961. This resulted primarily due to the conversion of the convertible loan to common shares of the Company.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF CLINE MINING CORPORATION

We have audited the consolidated balance sheets of Cline Mining Corporation as at November 30, 2002 and 2001 and the consolidated statements of operations, deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

Except as explained in the following paragraphs, 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

As a result of the current political instability in Zimbabwe, we did not have access to the books and records of the Company's subsidiaries in that country. Accordingly, we were not able to determine whether any adjustments might be necessary to expenses and deficit.

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had we had access to the books and records of the subsidiaries, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2002 and 2001 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.

"KPMG"

Chartered Accountants
Sudbury, Canada
April 3, 2003

CONSOLIDATED BALANCE SHEETS

As at November 30, 2002 and November 30, 2001

	2002	2001
ASSETS		
CURRENT		
Cash	\$ 1,548	\$ 2,506
Marketable securities	70,394	180,096
Receivables	924	278
	72,866	182,880
MINERAL PROPERTIES (Note 3)	2	2
CAPITAL ASSETS (Note 4)	1,096	1,566
OTHER ASSETS (Note 5)	1,017	1,017
	\$ 74,981	\$ 185,465
 LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 134,872	\$ 90,906
Convertible loan (Note 3)	-	235,770
Due to related party (Note 6)	101,777	102,167
	236,649	428,843
 SHAREHOLDERS' DEFICIENCY		
SHARE CAPITAL (Note 8)	2,636,955	2,416,035
CONTRIBUTED SURPLUS	1,525,800	1,525,800
DEFICIT	(4,324,423)	(4,185,213)
	(161,668)	(243,378)
	\$ 74,981	\$ 185,465

Nature of Operations (Note 1)

APPROVED BY THE DIRECTORS

"Ken Bates" (signed)
Director

"Allan Taylor" (signed)
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended November 30, 2002 and November 30, 2001

	2002	2001
EXPENSES		
Management	\$ 60,000	\$ 60,000
Transfer agent and filing fees	25,576	6,452
Accounting and administration	24,000	24,000
Legal and audit	15,040	9,807
Travel and accommodation	9,870	75
Office and investor relations	5,938	5,373
Depreciation and amortization	470	670
Bank charges	336	367
Consultants and property maintenance costs	-	379
Foreign exchange	(15,279)	7,823
LOSS FROM OPERATIONS	(125,951)	(114,946)
OTHER		
Loss on sale of marketable securities	(13,259)	(109,324)
Provision for write down of marketable securities	-	(397,271)
Write off of debt obligations (Note 7)	-	382,701
LOSS FOR YEAR	\$ (139,210)	\$ (238,840)
LOSS PER SHARE (Note 10)	\$ 0.01	\$ 0.01

CONSOLIDATED STATEMENTS OF DEFICIT

For the years ended November 30, 2002 and November 30, 2001

	2002	2001
DEFICIT, beginning of year	\$ (4,185,213)	\$ (3,946,373)
LOSS FOR YEAR	(139,210)	(238,840)
DEFICIT, end of year	\$ (4,324,423)	\$ (4,185,213)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended November 30, 2002 and November 30, 2001

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (139,210)	\$ (238,840)
Items not involving cash:		
Depreciation and amortization	470	670
Loss on sale of marketable securities	13,259	109,324
Unrealized foreign exchange	(390)	7,781
Provision for write down of marketable securities	-	397,271
Write-off of debt obligations	-	(382,701)
	(125,871)	(106,495)
Changes in non-cash working capital items		
Receivables	(646)	533
Accounts payables and accrued liabilities	43,966	23,669
	(82,551)	(82,293)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares	220,920	-
Convertible loan	(235,770)	-
	(14,850)	(82,293)
CASH FLOWS FROM INVESTING ACTIVITIES		
Marketable securities	96,443	80,631
NET DECREASE IN CASH	(958)	(1,662)
CASH, beginning of year	2,506	4,168
CASH, end of year	\$ 1,548	\$ 2,506

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2002 and November 30, 2001

NOTE 1 NATURE OF OPERATIONS

Cline Mining Corporation and its wholly owned subsidiaries, Arlington Development Limited, Vertical Investments (Private) Limited and Atlantic Minerals (Private) Limited, are hereinafter referred to as "Cline" or "the Company". The Company is engaged in the business of locating and exploring mineral resource properties. Substantially all of the efforts of the Company are devoted to these business activities. To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

These consolidated financial statements for 2002 include the accounts of the Company and its wholly owned subsidiaries, Arlington, Vertical and Atlantic.

The consolidated financial statements have been prepared using accounting principles generally accepted in Canada. All amounts are posted in Canadian currency.

b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclose contingent assets and liabilities, and report amounts of revenue and expenses during the period. Actual results could differ from estimates. During the fiscal years presented, management has made a number of significant estimates and valuation assumptions, including estimates of the useful life of capital assets, the recoverability of investments and mining assets and the fair value of financial assets and liabilities. These estimates and valuation assumptions are based on present conditions and management's planned course of action as well as assumptions about future business and economic conditions. Should the underlying valuation assumption and estimates change, the recorded amounts could change by a material amount.

c) Marketable securities

Marketable securities are carried at the lower of cost and market value.

d) Mineral properties

The Company considers its exploration costs to have the characteristics of property, plant and equipment. As such, the Company defers all exploration costs including acquisition costs, field exploration and field supervisory costs relating to specific properties until those properties are brought into production at which time they will be amortized on a unit-of-production basis based on proven and probable reserves or until the properties are abandoned, sold or considered to be impaired in value at which time an appropriate charge will be made.

The recovery of costs of mining claims and deferred exploration is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration development and future profitable production of proceeds from disposition of such properties.

e) Capital assets

The capital assets which is comprised of office equipment are recorded at cost and amortized using the straight-line method at 20% per annum.

f) Translation of foreign currency

The accounts of foreign subsidiaries are translated into Canadian currency as follows:

- monetary assets and liabilities at the rate of exchange prevailing at the balance sheet date
- other assets at applicable historical rates
- revenues and expenses at the rates prevailing at the relevant dates

Translation gains and losses are reflected in earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2002 and November 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

g) Stock option plan

The Company has a stock option plan which is described in note 8. Effective December 1, 2001, the Company adopted the accounting recommendations of the Canadian Institute of Chartered Accountants for stock based compensation. In accordance with the recommendations, all stock options granted to service providers are accounted for using the fair value method of accounting. Any consideration paid by employees, officers, directors and service providers on the exercise of stock options is credited to share capital. If stock or stock options are repurchased from employees, officers, directors and service providers, the excess of the consideration paid over the carrying amount of the stock or stock option cancelled, is charged to retained earnings.

h) Subsequent events

On April 3, 2003, the Company entered into a private placement agreement to sell 3,000,000 units of Cline at \$0.10 per unit. Each unit consists of one common share of Cline and one warrant. Two warrants entitle the holder to purchase one additional common share of Cline within the next two years at a purchase price of \$0.15 per share in the first year and \$0.20 per share in year two.

The Board of Directors of the Company also approved the conversion of the related party loan payable (Note 6) into 955,000 common shares of Cline.

NOTE 3 MINERAL PROPERTIES

Mineral properties are represented by and located geographically as follows:

	2002	2001
Canada	\$ 1	\$ 1
Zimbabwe	1	1
	<u>\$ 2</u>	<u>\$ 2</u>

The Company annually reviews the carrying values of its portfolio of mining properties. Through this process the Company determined that the properties located in Zimbabwe had suffered an impairment in value and therefore were written down in 1999 to a nominal value. Further, during 2000, the Company determined that its Cline Lake Gold property should also be written down to a nominal value.

NOTE 3 MINERAL PROPERTIES - (Cont'd)

Zimbabwe

Mineral properties located in Zimbabwe comprise mining claims, exclusive prospecting orders and a special grant. The exclusive prospecting orders and the special grant are issued by the government of Zimbabwe.

Exclusive Prospecting Order No. 1125

During 1998, the Company entered into an option agreement with Kinross Holdings Zimbabwe (Private) Limited ("Kinross"). Under the terms of the agreement, Kinross could earn a 60% interest in the property by expending Zimbabwe \$2,500,000 on exploration. Thereafter, the Company is required to meet its proportionate share of expenditures on the property or revert to a 1.5% net smelter return royalty.

Kanyemba Uranium-Vanadium Property

During 1998, the Company sold a 50% interest in this property to Minroc Mines Inc. now known as Cassiar Magnesium Inc. ("Cassiar"). This property was held by Licon Mines (Private) Limited ("Licon") a wholly owned subsidiary of the Company. The sale was completed by the transfer of 50% of the issued share capital of Licon to Cassiar. Cassiar issued 1,500,000 common shares to Cline as consideration for the transfer.

In addition, Cassiar provided Cline with a US\$150,000 non-interest bearing convertible loan. This loan could be converted by Cassiar into shares of Cline at \$1.00 per share before November 30, 1999 after which date Cline could either repay the loan or issue common shares at a deemed price of \$0.75 per share in settlement of the loan. During the year 294,560 shares were issued by the Company in settlement of the debt.

NOTE 4 CAPITAL ASSETS

Capital assets are represented by the following:

	2002	2001
Furniture, fixtures and equipment	\$ 9,548	\$ 9,548
Less: accumulated depreciation	8,452	7,982
	<u>\$ 1,096</u>	<u>\$ 1,566</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2002 and November 30, 2001

NOTE 5 OTHER ASSETS

Other assets are represented by the following:

	2002	2001
Incorporation costs	\$ 1,017	\$ 1,017

NOTE 6 DUE TO RELATED PARTY

The amount due to related party is payable to a Company controlled by an officer and director of the Company. There are no fixed terms of repayment and interest is not currently being charged on this balance.

NOTE 7 WRITE OFF OF DEBT OBLIGATIONS

During 1998, the Company entered through its subsidiary, Vertical Investments (Pvt) Limited, into capital leases for the purchase of mining machinery and vehicles in Zimbabwe. During 1999, the equipment acquired under these leases was returned to the leasing company.

During 2001, due to the unstable political situation in Zimbabwe, the Company determined that it was no longer feasible to pursue the mineral property held by Vertical. Consequently, the liabilities associated with pursuing the mineral property have been taken into income.

NOTE 8 SHARE CAPITAL

Cline has authorized share capital of 100,000,000 common shares without par value and 2,000,000 cumulative preferred shares redeemable at par value of \$5 each and convertible into common shares.

Share capital:

	Amount
Share capital, November 30, 2000 and 2001	\$ 2,416,035
Issued during year - convertible loan	220,920
Share capital, November 30, 2002	\$ 2,636,955

Outstanding common shares:

	Number of shares
Outstanding common shares, November 30, 2000 and 2001	18,924,365
Issued during year - convertible loan	294,560
Outstanding common shares, November 30, 2002	19,218,925

Stock options

The Company has a stock option plan for directors, officers and employees, enabling them to purchase common shares. The total number of options outstanding at any time cannot exceed 10% of the total number of outstanding common shares. Each option granted under the plan is for a maximum term of five years. The exercise price is determined by the Company's Board of Directors at the time the option is granted, subject to regulatory approval and may not be less than the most recent closing price of the common shares at the date of grant. The stock options outstanding at November 30, 2002 expire at various dates through May 27, 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2002 and November 30, 2001

NOTE 8 SHARE CAPITAL (Cont'd)

A summary of the Company's outstanding stock option transactions as at November 30, 2002 and November 30, 2001 are as follows:

November 30, 2002	No. of shares	Weighted Average Exercise Price
Outstanding, beginning of year	300,000	\$ 0.21
Repriced during year	-	\$ 0.10
Granted during year	1,580,000	\$ 0.10
Outstanding, end of year	1,880,000	\$ 0.10

November 30, 2001	No. of shares	Weighted Average Exercise Price
Outstanding, beginning of year	1,400,000	\$ 0.21
Granted during year	200,000	\$ 0.21
Expired	(1,300,000)	\$ 0.21
Outstanding, end of year	300,000	\$ 0.21

NOTE 9 RELATED PARTY TRANSACTIONS

During the year, companies controlled by officers and directors of the Company provided \$60,000 (2001 - \$60,000) of management services and \$24,000 (2001 - \$24,000) of accounting and administrative services.

Of the above amounts \$117,000 is included in accounts payable and accrued liabilities at November 30, 2002 (2001 - \$70,000).

NOTE 10 LOSS PER SHARE

The loss per share is calculated by dividing the loss for the year by the weighted average outstanding shares during 2002 and 2001 (2002 - 19,005,066 shares: 2001 - 18,924,365 shares).

NOTE 11 INCOME TAXES

At November 30, 2002 the Company has non-capital losses available for carry forward of \$437,599 and Canadian exploration and development expenditures of \$1,275,656 available to be applied against taxable income in future years. No benefit from these amounts has been recorded by the Company in these financial statements.

NOTE 11 INCOME TAXES (Cont'd)

The non-capital losses expire in the following years:

Year	Amount
2003	35,388
2004	90,679
2005	56,552
2006	80,767
2007	36,905
2008	114,237
2009	23,071

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities at November 30, 2002 are presented below:

	2002	2001
Future tax assets:		
Net operating loss carry forwards	\$ 169,000	\$ 202,000
Resource deductions	610,000	659,000
	779,000	861,000
Less: valuation allowance	\$ (779,000)	\$ (861,000)
	\$ Nil	\$ Nil

Income tax differs from the amount that would be computed by applying the Federal and Provincial statutory income tax rates of 38.62% (2001 - 41.74%). The reasons for the differences are as follows:

	2002	2001
Computed tax recovery		
Net operating loss carry forwards	\$ (41,000)	\$ (100,000)
Decrease resulting from:		
Non deductible costs and temporary differences	32,000	52,000
Losses not tax benefited	9,000	48,000
	\$ Nil	\$ Nil

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2002 and November 30, 2001

NOTE 12 SEGMENTED INFORMATION

The Company operates in one industry - the exploration and development of mineral properties which are located in Canada and Zimbabwe.

Identifiable assets:

November 30, 2002	Canada	Zimbabwe	2002 Total
Mineral interests	\$ 1	\$ 1	\$ 2
Corporate and other assets	74,979	-	74,979
	<u>\$ 74,980</u>	<u>\$ 1</u>	<u>\$ 74,981</u>

November 30, 2001	Canada	Zimbabwe	2001 Total
Mineral interests	\$ 1	\$ 1	\$ 2
Corporate and other assets	185,463	-	185,463
	<u>\$ 185,464</u>	<u>\$ 1</u>	<u>\$ 185,465</u>

NOTE 13 FINANCIAL INSTRUMENTS

The carrying value of cash, receivables, accounts payable and accrued liabilities and due to related party approximates their fair value due to the relatively short-term maturities of these instruments.

CORPORATE INFORMATION

HEAD OFFICE

530 Lasalle Boulevard
Sudbury, Ontario
P3A 1W9
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SUBSIDIARY COMPANIES

Arlington Development Limited
Vertical Investments (Private) Limited
Atlantic Minerals (Private) Limited

AFFILIATED COMPANIES

Licon Mines (Pvt.) Limited

DIRECTORS

Kenneth H. Bates
Toronto, Ontario, Canada

Bernard Furth-Bourquin
Geneva, Switzerland

Gordon Gormley
Richmond B.C., Canada

Philippe Montenay
Paris, France

Allan Taylor
Sudbury, Ontario, Canada

OFFICERS

Kenneth H. Bates
President and CEO

Bernard Furth-Bourquin
Chairman of the Board

Allan J. Taylor
*Secretary-Treasurer
Chief Financial Officer*

AUDITORS

KPMG LLP
144 Pine Street, 4th Floor
Box 700
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P3E 4R6

LAWYERS

Lang Michener
1500 - 1055 West Georgia Street
Vancouver, British Columbia
V6E 4N7

TRANSFER AGENT

CIBC Mellon Trust Company
Corporate Trust Services
1177 West Hastings Street
Mall Level
Vancouver, British Columbia
V6E 2K3

LISTING & TRADING

TSX Venture Exchange
Symbol - CMK

SHARES ISSUED

19,218,925 common shares

ANNUAL GENERAL MEETING

Cline's Annual General Meeting of Shareholders will be held at 10:00 a.m. on Friday May 23, 2003 in the Boardroom of Lang Michener, 1500 - 1055 West Georgia Street, Vancouver, British Columbia.