



**CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months ended February 28, 2005**  
**(Prepared without audit)**

# CONSOLIDATED BALANCE SHEETS

As at February 28, 2005 and November 30, 2004  
(Prepared without audit)

	February 28, 2005	November 30, 2004
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents (Note 3)	\$ 7,971,633	\$ 8,527,179
Marketable securities	23,661	23,661
Receivables	130,794	42,413
Prepaid expenses and deposits	13,361	22,515
	<hr/> 8,139,449	<hr/> 8,615,768
RECLAMATION DEPOSITS (Note 4)	50,000	40,000
MINERAL PROPERTIES AND DEFERRED COSTS	1,408,550	324,682
CAPITAL ASSETS (Note 5)	39,990	6,246
OTHER ASSETS	5,802	5,802
	<hr/> \$ 9,643,791	<hr/> \$ 8,992,498
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 1,084,049	\$ 348,805
FUTURE INCOME TAXES	110,000	-
	<hr/> 1,194,049	<hr/> 348,805
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (Note 7)	9,008,602	9,597,602
CONTRIBUTED SURPLUS	564,500	14,500
BROKERS WARRANTS	2,406,000	2,406,000
DEFICIT	(3,529,360)	(3,374,409)
	<hr/> 8,449,742	<hr/> 8,643,693
	<hr/> \$ 9,643,791	<hr/> \$ 8,992,498

*Nature of Operations (Note 1)*

APPROVED BY THE BOARD OF DIRECTORS

Signed "Ken Bates"  
Director

Signed "Allan Taylor"  
Director

## CONSOLIDATED STATEMENTS OF OPERATIONS

For the three months ended February 28, 2005 and February 29, 2004  
(Prepared without audit)

	2005	2004
<b>EXPENSES</b>		
Amortization	\$ 2,250	\$ -
Bank charges	401	109
Consulting fees	105,375	21,727
Directors fees & benefits	36,338	-
Investor relations, advertising and promotion	8,634	680
Insurance	4,332	-
Legal and audit	11,494	948
Licences, fees and dues	1,750	1,700
Office and communications	23,382	2,872
Transfer agent and filing fees	14,248	4,649
Travel and accommodation	52,045	2,661
<b>LOSS FROM OPERATIONS</b>	<b>260,249</b>	<b>35,346</b>
<b>OTHER INCOME (EXPENSE)</b>		
Interest income	41,298	1,191
Stock based compensation	(550,000)	-
Loss before taxes	(768,951)	(34,155)
Future income tax recovery	(614,000)	-
<b>NET LOSS FOR THE PERIOD</b>	<b>\$ (154,951)</b>	<b>\$ (34,155)</b>
<b>NET LOSS PER SHARE</b>	<b>\$ 0.004</b>	<b>\$ 0.001</b>

## CONSOLIDATED STATEMENTS OF DEFICIT

For the three months ended February 28, 2005 and February 29, 2004  
(Prepared without audit)

	2005	2004
DEFICIT, beginning of period	\$ (3,374,409)	\$ (2,975,581)
<b>NET LOSS FOR THE PERIOD</b>	<b>(154,951)</b>	<b>(34,155)</b>
<b>DEFICIT, end of period</b>	<b>\$ (3,529,360)</b>	<b>\$ (3,009,736)</b>

# CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended February 28, 2005 and February 29, 2004  
(Prepared without audit)

	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (154,951)	\$ (34,155)
Items not involving cash:		
Depreciation and amortization	2,250	-
Stock based compensation	550,000	-
Future income taxes	(614,000)	-
	(216,701)	(34,155)
Changes in non-cash working capital items		
Receivables	(88,381)	(4,205)
Prepaid expenses and deposits	9,154	-
Accounts payable and accrued liabilities	735,244	(2,625)
	439,316	(40,985)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of shares, net of issuance costs	135,000	47,750
Due to related party	-	30,230
	135,000	77,980
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Reclamation deposits	(10,000)	-
Mineral properties and exploration	(1,083,868)	(38,490)
Capital assets	(35,994)	(310)
	(1,129,862)	(38,800)
<b>DECREASE IN CASH</b>	(555,546)	(1,805)
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	8,527,179	145,711
<b>CASH AND CASH EQUIVALENTS, end of period</b>	\$ 7,971,633	\$ 143,906

## CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND DEFERRED COSTS

For the three months ended February 28, 2005  
(Prepared without audit)

	Lossan	Lodgepole	Sage/Cabin Creek	Bull Moose	Waterfall Creek	Cline Lake	Total
Balance as at November 30, 2003	\$ -	\$ -	\$ 39,274	\$ -	\$ -	\$ -	\$ 39,274
Acquisition costs	180,638	21,588	-	1,810	604	1,162	205,802
Exploration costs	53,789	65,091	61,373	-	-	-	180,253
	234,427	86,679	100,647	1,810	604	1,162	425,329
Write down of costs	-	-	(100,647)	-	-	-	(100,647)
Balance as at November 30, 2004	\$ 234,427	\$ 86,679	-	\$ 1,810	\$ 604	\$ 1,162	\$ 324,682
Camp and related costs	206,909	-	-	-	-	-	206,909
Geological supervision	64,089	39,132	-	-	-	-	103,221
Roads and support	60,814	79,811	-	-	-	-	140,625
Geophysical logs	61,021	13,121	-	-	-	-	74,142
Environmental	3,405	-	-	-	-	-	3,405
Drilling	404,072	95,988	-	-	-	-	500,060
Laboratory	5,618	-	-	-	-	-	5,618
License fees	2,940	900	-	-	-	-	3,840
Project administration	23,935	22,113	-	-	-	-	46,048
	832,803	251,065	-	-	-	-	1,083,868
Balance as at February 28, 2005	\$ 1,067,230	\$ 337,744	\$ -	\$ 1,810	\$ 604	\$ 1,162	\$ 1,408,550

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 28, 2005  
(Prepared without audit)

## NOTE 1 NATURE OF OPERATIONS

Cline Mining Corporation hereinafter referred to as "Cline" or "the Company" is engaged in the business of locating, exploring and developing mineral resource properties. Substantially all of the efforts of the Company are devoted to these business activities. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

## NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

These consolidated interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles, using the same accounting policies and methods used to prepare the consolidated financial statements for the year ended November 30, 2004. The consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and the accompanying notes included in the Company's latest annual report.

## NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at February 28, 2005 includes approximately \$820,000 which is reserved for qualifying Canadian Exploration Expenditures as a result of a flow-through private placement.

## NOTE 4 RECLAMATION DEPOSITS

During the three month period ended February 28, 2005 the Company made additional payments of \$10,000 to the British Columbia Ministry of Energy and Mines with respect to reclamation deposits.

## NOTE 5 CAPITAL ASSETS

Capital assets are represented by the following:

	<u>February 28, 2005</u>	<u>November 30, 2004</u>
Furniture, fixtures and office equipment	\$ 34,931	\$ 8,834
Computer software	1,027	-
Leasehold improvements	8,870	-
	44,828	8,834
Less: accumulated amortization	(4,838)	(2,588)
	<u>\$ 39,990</u>	<u>\$ 6,246</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 28, 2005  
(Prepared without audit)

## NOTE 6 RELATED PARTY TRANSACTIONS AND DUE TO RELATED PARTIES

During the period, consulting fees totalling \$121,375 (2004 - \$45,000) including \$24,000 (2004 - \$22,000) included in mineral properties and deferred costs, were paid or accrued as payable to directors or to companies with common directors or officers.

Accounts payable and accrued liabilities at February 28, 2005 in the amount of \$1,084,048 (2004 - \$348,805) includes amounts due to, or accrued as payable, to related parties in the amount of \$75,585 (2004 - \$246,272) and is recorded net of amounts due from related parties of \$19,463 (2004- \$19,463). The parties are related by virtue of their shareholders or principals acting as directors of the Company.

## NOTE 7 SHARE CAPITAL

### Share Issuance

The Company's share capital outstanding as at February 28, 2005 and the changes for the three months then ended are as follows:

	Number of Shares	Amount
Balance as at November 30, 2004	46,623,925	\$ 9,597,602
For cash:		
Exercise of warrants	445,000	105,000
Exercise of options	300,000	30,000
Renunciation of flow-through share value	-	(724,000)
Balance as at February 28, 2005	47,368,925	\$ 9,008,602

### Stock options

The Company's stock options outstanding as at February 28, 2005 and the changes for the three months then ended are as follows:

	Number of Options	Average Price
Balance as at November 30, 2004	2,080,000	\$ 0.11
Options granted	800,000	0.10
Options exercised	(300,000)	1.45
Balance as at February 28, 2005	2,580,000	\$ 0.55

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 28, 2005  
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## NOTE 7 SHARE CAPITAL - continued

The fair value of the options granted during the period have been estimated using the Black Scholes Pricing Model. Assumptions used in the pricing model are as follows:

- (a) average risk-free interest rate - 4.5%
- (b) expected life - 5 years
- (c) expected volatility - 51% to 56%
- (d) expected dividends - nil

The Black-Scholes Option Pricing Model was created for use in estimating the fair value of freely tradable, fully transferable options. The Company' s stock options granted under its Stock Option Plan have characteristics significantly different from those of traded options, and because changes in the highly subjective input assumptions can materially effect the calculated values, management believes that the accepted Black-Sholes model does not necessarily provide a reliable measure of the fair value of the Company' s stock option awards.

Options to acquire common shares outstanding at February 28, 2005 are as follows:

Number Outstanding	Exercise Price	Expiry Date
200,000	\$ 0.10	January 19, 2006
1,130,000	0.10	April 23, 2007
150,000	0.10	May 27, 2007
300,000	0.20	October 17, 2008
600,000	1.44	January 6, 2010
100,000	1.22	February 15, 2010
100,000	1.75	February 15, 2010

## Warrants

The Company' s warrants outstanding as at February 28, 2005 and the changes for the three months then ended are as follows:

	Number of Shares on Exercise of Warrants	Average Price
Balance as at November 30, 2004	11,716,450	\$ 0.54
Warrants exercised	(445,000)	0.25
Balance as at February 28, 2005	11,271,450	\$ 0.55

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 28, 2005  
(Prepared without audit)

## NOTE 7 SHARE CAPITAL - continued

Warrants to acquire common shares outstanding at February 28, 2005 are as follows:

Type	Number of Warrants	Number of Shares on Exercise of Warrants	Exercise Price	Expiry Date
Share purchase				
Warrants	1,270,500	1,270,500	\$ 0.25	September 1, 2005
	10,000,000	5,000,000	\$ 0.50	April 22, 2006
	6,000,000	3,000,000	\$0.75	May 9, 2006
Broker Warrants	1,400,950	1,400,950	\$0.50	April 22, 2006
	600,000	600,000	\$0.75	May 9, 2006

## NOTE 8 COMPARATIVE RESULTS

Certain comparative results have been reclassified to conform to the current year' s presentation.