



**CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months ended February 28, 2006**  
**(Prepared without audit)**



## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, Subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# CLINE MINING CORPORATION

## CONSOLIDATED BALANCE SHEETS

As at February 28, 2006 and November 30, 2005  
(Prepared without audit)

	February 28, 2006	November 30, 2005
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 8,156,394	\$ 9,892,220
Marketable securities	21,359	21,359
Receivables	142,985	156,731
Prepaid expenses and deposits	21,151	12,542
	8,341,889	10,082,852
RECLAMATION DEPOSITS	54,000	54,000
MINERAL PROPERTIES AND DEFERRED COSTS	8,061,744	7,314,019
CAPITAL ASSETS (Note 3)	72,956	74,852
OTHER ASSETS	24,891	24,891
	\$ 16,555,480	\$ 17,550,614
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 4)	\$ 1,505,260	\$ 2,254,375
FUTURE INCOME TAXES	110,000	110,000
	1,615,260	2,364,375
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (Note 5)	16,065,819	15,913,348
CONTRIBUTED SURPLUS	1,690,500	1,690,500
WARRANTS	3,168,797	3,205,768
DEFICIT	(5,984,896)	(5,623,377)
	14,940,220	15,186,239
	\$ 16,555,480	\$ 17,550,614

*Nature of Operations (Note 1)*  
*Commitments (Note 7)*

APPROVED BY THE BOARD OF DIRECTORS

Signed "Ken Bates".....  
Director

Signed "Bill McKnight".....  
Director

# CLINE MINING CORPORATION

## CONSOLIDATED STATEMENTS OF OPERATIONS

For the three months ended February 28, 2006 and February 28, 2005  
(Prepared without audit)

	2006	2005
		<i>(Note 10)</i>
<b>EXPENSES</b>		
Amortization	\$ 7,593	\$ 2,250
Capital and other tax	(574)	-
Consulting and management fees	128,985	105,375
Directors fees and expenses	50,634	36,338
Foreign exchange gain	(436)	-
General, administrative and office	51,916	29,865
Investor and public relations	31,263	8,634
Legal and audit	41,831	11,494
Property assessment costs	42,560	-
Transfer agent and filing fees	26,372	14,248
Travel and accommodation	46,118	52,045
<b>LOSS FROM OPERATIONS</b>	(426,262)	(260,249)
<b>OTHER INCOME (EXPENSE)</b>		
Interest income	64,743	41,298
Stock based compensation	-	(550,000)
<b>Loss before taxes</b>	(361,519)	(768,951)
Future income tax recovery	-	614,000
<b>NET LOSS FOR THE PERIOD</b>	\$ (361,519)	\$ (154,951)
<b>Net loss per share (Note 6)</b>	<b>\$ (0.007)</b>	<b>\$ (0.003)</b>
<b>Weighted average common shares outstanding</b>	<b>55,499,900</b>	<b>46,996,425</b>

## CONSOLIDATED STATEMENTS OF DEFICIT

For the three months ended February 28, 2006 and February 28, 2005  
(Prepared without audit)

	2006	2005
DEFICIT, beginning of period	\$ (5,623,377)	\$ (3,374,409)
<b>NET LOSS FOR THE PERIOD</b>	(361,519)	(154,951)
<b>DEFICIT, end of period</b>	<b>\$ (5,984,896)</b>	<b>\$ (3,529,360)</b>

# CLINE MINING CORPORATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended February 28, 2006 and February 28, 2005  
(Prepared without audit)

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (361,519)	\$ (154,951)
Items not involving cash:		
Depreciation and amortization	7,593	2,250
Stock based compensation	-	550,000
Future income taxes	-	(614,000)
	(353,926)	(216,701)
Changes in non-cash working capital items		
Receivables	13,746	(88,381)
Prepaid expenses and deposits	(8,609)	9,154
Accounts payable and accrued liabilities	(749,115)	735,244
	(1,097,904)	439,316
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of shares, net of issuance costs	115,500	135,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Reclamation deposits	-	(10,000)
Mineral properties and exploration	(747,725)	(1,083,868)
Capital assets	(5,697)	(35,994)
	(753,422)	(1,129,862)
<b>DECREASE IN CASH</b>	(1,735,826)	(555,546)
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	9,892,220	8,527,179
<b>CASH AND CASH EQUIVALENTS, end of period</b>	\$ 8,156,394	\$ 7,971,633

CLINE MINING CORPORATION  
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES  
AND DEFERRED COSTS

For the three months ended February 28, 2006  
(Prepared without audit)

	Lossan	Canada Lodgepole	Other	Madagascar	Total
Balance as at November 30, 2004	\$ 234,427	\$ 86,679	\$ 3,576	\$ -	\$ 324,682
Acquisition costs	900,000	102,923	12,352	3,237	1,018,512
Exploration costs	3,476,890	2,243,178	121,810	128,947	5,970,825
Balance as at November 30, 2005	4,611,317	2,432,780	137,738	132,184	7,314,019
Acquisition costs	-	2,994	1,518	-	4,512
Feasibility	86,067	303,986	-	-	390,053
Permitting	-	185,733	-	-	185,733
Environmental	96,123	3,588	117	-	99,828
Geologists	7,475	12,475	-	-	19,950
Contractors	2,740	2,740	-	-	5,480
Reports	9,999	13,318	-	-	23,317
License fees	4,410	-	-	7,395	11,805
Project administration	4,546	2,501	-	-	7,047
	211,360	527,335	1,635	-	747,725
Balance as at February 28, 2006	\$ 4,822,677	\$ 2,960,115	\$ 139,373	\$ 139,579	\$ 8,061,744

# CLINE MINING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 28, 2006  
(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, 2005. 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 CAPITAL ASSETS

Capital assets are represented by the following:

	<u>February 28, 2006</u>	<u>November 30, 2005</u>
Furniture, fixtures and office equipment	\$ 31,617	\$ 29,191
Computer equipment	26,263	24,170
Computer software	1,027	1,027
Leasehold improvements	10,048	8,870
Vehicle	29,547	29,547
	<u>98,502</u>	<u>92,805</u>
Less: accumulated amortization	<u>25,546</u>	<u>17,953</u>
	<u>\$ 72,956</u>	<u>\$ 74,852</u>

### NOTE 4 RELATED PARTY TRANSACTIONS AND DUE TO RELATED PARTIES

During the period, companies or businesses controlled by officers and directors of the Company were paid \$115,800 (2005 - \$121,375) in consulting and management fees and \$3,000 (2005 - \$3,000) for office support services. In addition, certain officers of the Company, who also acted as directors were paid a total of \$12,000 (2005 - \$18,000) with respect to directors fees.

Accounts payable and accrued liabilities at February 28, 2006 in the amount of \$1,505,260 (November 30, 2005 - \$2,254,375) includes amounts due to, or accrued as payable, to related parties in the amount of \$69,034 (November 30, 2005 - \$37,533) and is recorded net of amounts due from related parties of \$36,440 (2005 - \$35,620). The parties are related by virtue of their shareholders or principals acting as directors or officers of the Company.

**CLINE MINING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended February 28, 2006  
(Prepared without audit)

**NOTE 5 SHARE CAPITAL**

**Share Issuance**

The Company's share capital outstanding as at February 28, 2006 and the changes for the three months then ended are as follows:

	Number of Shares	Amount
Balance as at November 30, 2005	55,304,400	\$ 15,913,348
For cash:		
Exercise of warrants	191,000	95,500
Exercise of options	200,000	20,000
Transferred to share capital upon exercise of warrants	-	36,971
Balance as at February 28, 2006	55,695,400	\$ 16,065,819

**Stock options**

The Company's stock options outstanding as at February 28, 2006 and the changes for the three months then ended are as follows:

	Number of Options	Average Price
Balance as at November 30, 2005	3,940,000	\$ 0.63
Options granted	500,000	0.82
Options exercised	(200,000)	0.10
Options cancelled	(200,000)	1.03
Options cancelled	(500,000)	0.82
Balance as at February 28, 2006	3,540,000	0.64

# CLINE MINING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 28, 2006  
(Prepared without audit)

### NOTE 5 SHARE CAPITAL - continued

The fair value of stock options granted is estimated using the Black-Scholes Pricing Model.

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-Scholes 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, 2006 are as follows:

Number Outstanding	Exercise Price	Expiry Date
500,000	\$ 0.10	April 23, 2007
150,000	0.10	May 27, 2007
300,000	0.20	October 17, 2008
600,000	0.82	January 6, 2010
550,000	0.82	March 9, 2010
940,000	0.82	September 7, 2010
500,000	0.82	February 2, 2011

### Warrants

The Company's warrants outstanding as at February 28, 2006 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, 2005	13,965,975	\$ 0.65
Warrants exercised	(191,000)	0.50
Balance as at February 28, 2006	13,774,975	\$ 0.65

Warrants to acquire common shares outstanding at February 28, 2006 are as follows:

Type	Number of Warrants	Number of Shares on Exercise of Warrants	Exercise Price	Expiry Date
Share purchase				
Warrants	9,039,250	4,519,625	\$0.50	April 22, 2006
	5,708,800	2,854,400	\$0.75	May 9, 2006
	5,000,000	5,000,000	\$0.75	January 8, 2007
Broker Warrants	800,950	800,950	\$0.50	April 22, 2006
	600,000	600,000	\$0.75	May 9, 2006

# CLINE MINING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 28, 2006  
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### NOTE 6 LOSS PER SHARE

Loss per share is calculated using the weighted average number of shares outstanding during the period. Fully diluted loss per share has not been presented as the effect on basic loss per share would be anti-dilutive.

### NOTE 7 COMMITMENTS

(i) The Company has entered into operating lease agreements for office space, equipment and a vehicle, requiring the Company to make the following lease payments:

Year ending November 30, 2006	\$50,938
Year ending November 30, 2007	10,299

(ii) On October 6, 2005 the Company exercised its option to acquire the Lossan Coal Property. In addition to the payment of \$900,000 included in accounts payable and accrued liabilities at February 28, 2006, the Company is required to issue 250,000 common shares of the Company. As of February 28, 2006 the transfer of the property, the payment of the funds and the issuance of the shares had not been completed.

(iii) In order to keep its mineral properties in good standing, the Company is required to make annual payments of approximately \$63,000 in coal license fees to the government of British Columbia and approximately \$127,000 in exploration permit fees to the government of Madagascar.

### NOTE 8 SEGMENTED INFORMATION

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

Identifiable assets:

	Canada	Madagascar	Total
Mineral interests	\$ 7,922,161	\$ 139,583	\$ 8,061,744
Corporate and other assets	8,463,481	30,255	8,493,736
Corporate and other assets	\$ 16,385,642	\$ 169,838	\$ 16,555,480

### NOTE 9 FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, receivables, prepaid expenses and deposits, accounts payable and accrued liabilities approximates their fair value due to the relatively short-term maturities of these instruments. The fair market value of marketable securities was \$118,739 as at February 28, 2006 (November 30, 2005 - \$129,685).

### NOTE 10 COMPARATIVE RESULTS

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