



**CONSOLIDATED FINANCIAL STATEMENTS**

**For the nine months ended August 31, 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 August 31, 2006 and November 30, 2005  
(Prepared without audit)

	August 31, 2006	November 30, 2005
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 8,508,346	\$ 9,892,220
Marketable securities	21,359	21,359
Receivables	156,847	156,731
Prepaid expenses and deposits	32,096	12,542
	8,718,648	10,082,852
RECLAMATION DEPOSITS	54,000	54,000
MINERAL PROPERTIES AND DEFERRED COSTS	9,442,069	7,314,019
CAPITAL ASSETS (Note 3)	60,268	74,852
OTHER ASSETS	4,910	24,891
	\$ 18,279,895	\$ 17,550,614
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 4)	\$ 1,222,025	\$ 2,254,375
FUTURE INCOME TAXES	110,000	110,000
	1,332,025	2,364,375
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (Note 5)	20,696,966	15,913,348
CONTRIBUTED SURPLUS	1,690,500	1,690,500
WARRANTS	1,188,000	3,205,768
DEFICIT	(6,627,596)	(5,623,377)
	16,947,870	15,186,239
	\$ 18,279,895	\$ 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 and nine months ended August 31, 2006 and August 31, 2005  
(Prepared without audit)

	For the three months ended August 31		For the nine months ended August 31	
	2006	2005	2006	2005
<b>EXPENSES</b>				
Amortization	\$ 5,526	\$ 3,271	\$ 20,712	\$ 7,978
Capital and other tax	-	-	1,658	(252)
Consulting and management fees	186,962	103,800	430,562	311,775
Directors fees and expenses	40,646	36,507	143,948	114,563
Foreign exchange gain	3,481	-	3,828	-
General, administrative and office	50,959	38,497	161,258	119,273
Investor and public relations	5,865	6,694	73,435	72,658
Professional fees	49,138	30,323	106,455	84,184
Property assessment costs	1,577	9,715	45,361	9,715
Transfer agent and filing fees	1,502	73,859	33,283	95,823
Travel and accommodation	102,987	73,073	201,293	198,910
<b>LOSS FROM OPERATIONS</b>	<b>(448,643)</b>	<b>(375,739)</b>	<b>(1,221,793)</b>	<b>(1,014,627)</b>
<b>OTHER INCOME (EXPENSE)</b>				
Interest income	97,191	60,260	242,555	143,470
Gain on sale of marketable securities	-	12,638	-	12,638
Stock based compensation	-	(62,000)	-	(1,025,000)
Write down of other assets	(5,000)	-	(24,981)	-
Loss before taxes	(356,452)	(364,841)	(1,004,219)	(1,883,519)
Future income tax recovery	-	-	-	614,000
<b>NET LOSS FOR THE PERIOD</b>	<b>\$ (356,452)</b>	<b>\$ (364,841)</b>	<b>\$ (1,004,219)</b>	<b>\$ (1,269,519)</b>
<b>Net loss per share (Note 6)</b>	<b>\$ 0.006</b>	<b>\$ 0.007</b>	<b>\$ 0.017</b>	<b>\$ 0.025</b>
<b>Weighted average common shares outstanding</b>	<b>58,345,750</b>	<b>51,639,150</b>	<b>58,150,250</b>	<b>50,875,412</b>

## CLINE MINING CORPORATION

### CONSOLIDATED STATEMENTS OF DEFICIT

For the nine months ended August 31, 2006 and August 31, 2005  
(Prepared without audit)

	2006	2005
DEFICIT, beginning of period	\$ (5,623,377)	\$ (3,374,409)
<b>NET LOSS FOR THE PERIOD</b>	<b>(1,004,219)</b>	<b>(1,269,519)</b>
<b>DEFICIT, end of period</b>	<b>\$ (6,627,596)</b>	<b>\$ (4,643,928)</b>

# CLINE MINING CORPORATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and nine months ended August 31, 2006  
(Prepared without audit)

	For the three months ended August 31		For the nine months ended August 31	
	2006	2005	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (356,452)	\$ (364,841)	\$ (1,004,219)	\$ (1,269,519)
Items not involving cash:				
Depreciation and amortization	5,526	3,271	20,712	7,978
Stock based compensation	-	62,000	-	1,025,000
Future income taxes	-	-	-	(614,000)
Gain on sale of marketable securities	-	(12,638)	-	(12,638)
Write down of other assets	5,000	-	24,981	-
	(345,926)	(312,208)	(958,526)	(863,179)
Changes in non-cash working capital items				
Receivables	(30,236)	21,089	(116)	(170,824)
Prepaid expenses and deposits	(18,923)	(13,933)	(19,554)	(1,512)
Accounts payable and accrued liabilities	(380,755)	(254,635)	(1,032,350)	193,983
	(775,840)	(559,687)	(2,010,546)	(841,532)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issuance of shares, net of issuance costs	-	7,170,125	2,765,850	7,605,764
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Sale of marketable securities	-	14,940	-	14,940
Investment	-	(20,000)	-	(20,000)
Reclamation deposits	-	-	-	(10,000)
Mineral properties and exploration	(508,170)	(1,024,874)	(2,128,050)	(4,071,163)
Capital assets	(431)	(4,874)	(6,128)	(43,619)
Other assets	(5,000)	-	(5,000)	911
	(513,601)	(1,034,808)	(2,139,178)	(4,128,931)
<b>INCREASE (DECREASE) IN CASH</b>	(1,289,441)	5,575,630	(1,383,874)	2,635,301
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	9,797,787	5,586,850	9,892,220	8,527,179
<b>CASH AND CASH EQUIVALENTS, end of period</b>	\$ 8,508,346	\$ 11,162,480	\$ 8,508,346	\$ 11,162,480

CLINE MINING CORPORATION  
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES  
AND DEFERRED COSTS

For the nine months ended August 31, 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	-	102,994	1,518	-	104,512
Feasibility	183,597	382,425	-	-	566,022
Environmental and permitting	118,902	888,401	-	-	1,007,303
Geologists / Engineers / Contractors	23,135	35,255	7,488	110,288	176,166
Reports	9,999	15,085	2,600	-	27,684
License fees	28,224	-	16,997	189,335	234,556
Project administration	7,638	4,169	-	-	11,807
	371,495	1,428,329	28,603	299,623	2,128,050
Balance as at August 31, 2006	\$ 4,982,812	\$ 3,861,109	\$ 166,341	\$ 431,807	\$ 9,442,069

# CLINE MINING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended August 31, 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:

	August 31, 2006	November 30, 2005
Furniture, fixtures and office equipment	\$ 31,617	\$ 29,191
Computer equipment	26,694	24,170
Computer software	1,027	1,027
Leasehold improvements	10,048	8,870
Vehicle	29,547	29,547
	98,933	92,805
Less: accumulated amortization	38,665	17,953
	\$ 60,268	\$ 74,852

### 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 \$347,400 (2005 - \$360,775) in consulting and management fees including \$Nil (2005 - \$72,000) included in mineral properties and deferred costs. In addition, certain officers of the Company, who also acted as directors were paid a total of \$36,000 (2005 - \$54,000) with respect to directors fees and a company controlled by an officer was paid \$9,000 (2005 - \$9,000) with respect to office support services. Transactions with related parties are recorded at the exchange amount, being the price agreed between the parties.

Accounts payable and accrued liabilities at August 31, 2006 in the amount of \$1,222,025 (November 30, 2005 - \$2,254,375) includes amounts due to, or accrued as payable, to related parties in the amount of \$56,497 (November 30, 2005 - \$37,533) and is recorded net of amounts due from related parties of \$35,539 (November 30, 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 nine months ended August 31, 2006  
(Prepared without audit)

**NOTE 5 SHARE CAPITAL**

**Share Issuance**

The Company's share capital outstanding as at August 31, 2006 and the changes for the nine 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	5,491,700	2,745,850
Exercise of options	200,000	20,000
Transferred to share capital upon exercise of warrants	-	2,017,768
Balance as at August 31, 2006	60,996,100	\$ 20,696,966

**Stock options**

The Company's stock options outstanding as at August 31, 2006 and the changes for the nine months then ended are as follows:

	Number of Options	Average Price
Balance as at November 30, 2005	3,940,000	\$ 0.80
Options granted	500,000	0.82
Options exercised	(200,000)	1.10
Options cancelled	(200,000)	1.03
Options cancelled	(700,000)	0.82
Options cancelled	(300,000)	0.20
Balance as at August 31, 2006	3,040,000	\$ 0.67

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

For the nine months ended August 31, 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 August 31, 2006 are as follows:

Number Outstanding	Exercise Price	Expiry Date
500,000	\$ 0.10	April 23, 2007
150,000	0.10	May 27, 2007
600,000	0.82	January 6, 2010
550,000	0.82	March 9, 2010
740,000	0.82	September 7, 2010
500,000	0.82	February 2, 2011

**Warrants**

The Company's warrants outstanding as at August 31, 2006 and the changes for the nine 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	(5,491,700)	0.50
Warrants expired	(3,474,275)	0.75
<b>Balance as at August 31, 2006</b>	<b>5,000,000</b>	<b>\$ 0.75</b>

Warrants to acquire common shares outstanding at August 31, 2006 are as follows:

Type	Number of Warrants	Number of Shares on Exercise of Warrants	Exercise Price	Expiry Date
Share purchase Warrants	5,000,000	5,000,000	\$ 0.75	January 8, 2007

# CLINE MINING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended August 31, 2006  
(Prepared without audit)

### 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	\$ 16,979
Year ending November 30, 2007	9,919

- (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 August 31, 2006, the Company is required to issue 250,000 common shares of the Company. As of August 31, 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 \$70,000 in coal license fees to the government of British Columbia and approximately \$190,000 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	\$ 9,010,262	\$ 431,807	\$ 9,442,069
Corporate and other assets	8,809,176	28,650	8,837,826
	\$ 17,819,438	\$ 460,457	\$ 18,279,895

### 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 \$115,770 at August 31, 2006 (November 30, 2005 - \$129,685).

### NOTE 10 COMPARATIVE RESULTS

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

# CLINE MINING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended August 31, 2006  
(Prepared without audit)

### NOTE 11 SUBSEQUENT EVENTS

On September 26, 2006, the Company entered into a Share Purchase Agreement (the "SPA") with UMC Energy plc ("UMC"), a London Stock Exchange AIM listed company pursuant to which, Cline will acquire 12,272,667 shares of UMC, representing an approximate 40% interest in UMC, in exchange for Cline's 80% controlling share interest in its uranium subsidiary URAMAD SA ("URAMAD") of Madagascar. Under the terms of the SPA, UMC will pay Cline approximately US\$341,000 in repayment of advances made by Cline to URAMAD. Cline will also be entitled to maintain its level of interest in UMC on a pre-emptive basis unless it chooses to reduce its interest below 30%. The acquisition of URAMAD by UMC constitutes a reverse take over under the AIM Rules.

UMC has also agreed to immediately advance US\$480,000 to URAMAD as funding towards the Phase 1 of the planned exploration program on its Morondava Uranium Project. The Chairman and President of Cline will join the Board of Directors of UMC following closing. The transaction is subject to the approval of the shareholders of UMC at an extraordinary general meeting anticipated to be held in October, 2006 and the final registration of the Moronadava uranium permits in the name of URAMAD. Closing is anticipated by October 31, 2006.

The remaining 20% interest in URAMAD is owned by L'OFFICE DES MINES NATIONALES ET DES INDUSTRIES STRATEGIQUES ("OMNIS"), an Agency of the Government of Madagascar. UMC has no significant assets other than cash. URAMAD's only significant asset is its Morandava uranium property permits and it has no material unfunded liabilities.