



**CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months ended February 29, 2008**  
**(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 29, 2008 and November 30, 2007  
(Prepared without audit)

	February 29, 2008	November 30, 2007
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents (Note 3)	\$ 7,145,621	\$ 7,137,468
Receivables	329,464	301,881
Prepaid expenses and deposits	34,386	23,187
	7,509,471	7,462,536
Reclamation deposits	54,000	54,000
Investments – available-for-sale (Note 4)	145,000	186,400
Investments – other (Note 4)	3,463,613	3,699,013
Mineral properties and deferred costs	12,287,632	11,828,339
Capital assets (Note 5)	185,064	202,986
Other assets	1,017	1,017
	\$ 23,645,797	\$ 23,434,291
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 674,926	\$ 591,891
Advances	-	74,543
	674,926	666,434
Future income taxes (Note 7)	1,519,000	978,000
	2,193,926	1,644,434
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7)	24,693,970	24,296,551
Contributed surplus	2,817,500	2,817,500
Warrants (Note 7)	1,409,514	1,409,514
Deficit	(7,467,443)	(6,763,838)
Accumulated other comprehensive income (loss) (Note 9)	(1,670)	30,130
	21,451,871	21,789,857
	\$ 23,645,797	\$ 23,434,291

*Nature of Operations (Note 1)*  
*Commitments (Note 11)*  
*Subsequent Event (Note 15)*

APPROVED BY THE DIRECTORS

Signed “Ken Bates”

.....  
Director

Signed “Bill McKnight”

.....  
Director

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

CLINE MINING CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
AND COMPREHENSIVE EARNINGS (LOSS)

For the three months ended February 29, 2008 and February 28, 2007  
(Prepared without audit)

	2008	2007
<b>EXPENSES</b>		
Amortization	\$ 17,298	\$ 18,007
Capital and other tax	8,223	-
Consulting and management fees (Note 6)	156,409	164,756
Directors fees and expenses	42,636	46,105
Foreign exchange loss (gain)	3,454	1,354
General, administrative and office	73,654	75,244
Investor and public relations	12,547	9,851
Legal and audit	28,975	27,623
Property assessment costs	93,535	-
Transfer agent and filing fees	23,774	22,948
Travel and accommodation	53,610	100,417
	(514,115)	(466,305)
<b>LOSS FROM OPERATIONS</b>		
<b>OTHER INCOME (EXPENSE)</b>		
Interest income	66,489	73,817
Stock based compensation	-	(67,000)
Warrant revaluation	-	(539,000)
Gain on sale of subsidiary	-	3,537,668
Unrealized loss on marketable securities	-	(5,821)
Management fee	-	70,214
Mineral property expenditures written off	(55,355)	-
Loss on disposal of capital assets	(624)	-
	(503,605)	2,603,573
<b>Earnings (loss) before taxes</b>		
Future income tax recovery	45,000	-
	(458,605)	2,603,573
<b>Earnings (loss) before other items</b>		
Share of loss of equity investee (Note 4)	(245,000)	-
	(703,605)	2,603,573
<b>Earnings (loss) for year</b>		
Other comprehensive income (loss), net of tax (Note 9)	(31,800)	22,700
	\$ (735,405)	\$ 2,626,273
<b>COMPREHENSIVE EARNINGS (LOSS)</b>		
Basic earnings (loss) per share (Note 10)	\$ (0.009)	\$ 0.041
Diluted earnings (loss) per share (Note 10)	\$ (0.009)	\$ 0.041
Weighted average number of common shares outstanding - basic	75,856,223	63,713,053
Weighted average number of common shares outstanding - diluted	75,856,223	63,863,053

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

CLINE MINING CORPORATION  
CONSOLIDATED STATEMENTS OF DEFICIT

For the three months ended February 29, 2008 and February 28, 2007  
(Prepared without audit)

	<u>2008</u>	<u>2007</u>
DEFICIT, beginning of period	\$ (6,763,838)	\$ (6,950,201)
Fair value adjustment on held-for-trading investments	-	89,286
Deficit, beginning of period adjusted	(6,763,838)	(6,860,915)
Earnings (loss) for period	(703,605)	2,603,573
DEFICIT, end of period	<u>\$ (7,467,443)</u>	<u>\$ (4,257,342)</u>

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

# CLINE MINING CORPORATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended February 29, 2008 and February 28, 2007  
(Prepared without audit)

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Earnings (loss) for the period	\$ (703,605)	\$ 2,603,573
Items not involving cash:		
Amortization	17,298	18,007
Gain on sale of subsidiary	-	(3,537,668)
Stock based compensation	-	67,000
Warrant revaluation	-	539,000
Unrealized loss on marketable securities	-	5,821
Mineral property expenditures written off	55,355	-
Loss on disposal of capital assets	624	-
Future tax recovery	(45,000)	-
Share of loss of equity investee	245,000	-
	(430,328)	(304,267)
Changes in non-cash working capital items		
Receivables	(27,583)	7,667
Prepaid expenses and deposits	(11,199)	(7,538)
Accounts payable and accrued liabilities	83,035	(908,543)
	(386,075)	(1,212,681)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of shares, net of costs	983,419	47,794
Advances	(74,543)	(545,472)
	908,876	(497,678)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments	-	515,076
Mineral properties and deferred costs	(514,648)	(556,315)
Capital assets	-	(26,497)
Other assets	-	72,493
	(514,648)	4,757
<b>INCREASE (DECREASE) IN CASH</b>	8,153	(1,705,602)
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	7,137,468	8,966,229
<b>CASH AND CASH EQUIVALENTS, end of period</b>	\$ 7,145,621	\$ 7,260,627
<b>Supplemental cash flow information:</b>		
Interest received	\$ 21,658	\$ 52,699

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

CLINE MINING CORPORATION  
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES  
AND DEFERRED COSTS

For the three months ended February 29, 2008  
(Prepared without audit)

	Canada						Total
	Cline Lake	Strike Edwards	Lodgepole	Lossan	Other	Madagascar	
Balance as at December 1, 2006	\$ 109,668	\$ -	\$ 4,108,645	\$ 5,065,968	\$ 58,958	\$ 608,949	\$ 9,952,188
Acquisition costs	-	-	-	122,500	25,000	-	147,500
Exploration costs	1,258,166	460,051	212,211	157,216	23,665	197,219	2,308,528
Less: Deferred costs associated with sale of URAMAD SA	-	-	-	-	-	(579,877)	(579,877)
<b>Balance as at November 30, 2007</b>	<b>1,367,834</b>	<b>460,051</b>	<b>4,320,856</b>	<b>5,345,684</b>	<b>107,623</b>	<b>226,291</b>	<b>11,828,339</b>
Environmental & Permitting	-	-	1,255	1,518	-	-	2,773
Geologists/Engineers/Contractors	419,540	-	-	-	-	-	419,540
License fees	17	-	-	4,410	-	62,908	67,335
Royalties	-	-	-	25,000	-	-	25,000
	<b>419,557</b>	<b>-</b>	<b>1,255</b>	<b>30,928</b>	<b>-</b>	<b>62,908</b>	<b>514,648</b>
Less: Mineral property expenditures written off	-	-	-	-	(55,355)	-	(55,355)
<b>Balance as at February 29, 2008</b>	<b>\$ 1,787,391</b>	<b>\$ 460,051</b>	<b>\$ 4,322,111</b>	<b>\$ 5,376,612</b>	<b>\$ 52,268</b>	<b>\$ 289,199</b>	<b>\$ 12,287,632</b>

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

# CLINE MINING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 29, 2008  
(Prepared without audit)

### NOTE 1 NATURE OF OPERATIONS

Cline Mining Corporation and its wholly owned subsidiary, Iron Ore Corporation of Madagascar SARL ("IOCM") are hereinafter referred to as "Cline" or "the Company". The Company is listed on the Toronto Stock Exchange ("TSX") and 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 any mining revenues and is considered to be in the exploration stage.

### NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

These unaudited 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 audited consolidated financial statements for the year ended November 30, 2007 except as noted below. The consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and the accompanying notes. All amounts are recorded in Canadian currency.

#### Changes in accounting policies

Effective December 1, 2007, the Company adopted the following Handbook Sections recently introduced by the Canadian Institute of Chartered Accountants ("CICA"):

Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose the following:

- its objectives, policies and processes for managing capital;
- summary quantitative data about what the Company views as capital;
- whether during the period, it complied with any externally imposed capital requirements to which it is subject;
- when the entity has not complied with such requirement, the consequences of such non-compliance.

Section 3862, "Financial Instruments – Disclosures", modifies the disclosures requirement for financial instruments that were included in Section 3861 "Financial Instruments – Disclosure and Presentation". The new standard requires entities to provide disclosures in their financial statements that enable users to evaluate:

- the significance of financial instruments of the entity's financial position and performance;
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

Section 3863, "Financial Instruments – Presentation", carries forward unchanged the presentation requirements of the old Section 3861 "Financial Instruments – Disclosure and Presentation".

The impact of these changes is outlined in notes 13 and 14 to these interim financial statements.

#### Recent accounting pronouncements

In October 2007, the CICA approved Handbook Section 3064, "Goodwill and Intangible Assets" which replaces the existing Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs". This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. The Company is currently assessing the impact of this new accounting standard on its consolidated financial statements.

# CLINE MINING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 29, 2008  
(Prepared without audit)

### NOTE 2 SIGNIFICANT ACCOUNTING POLICIES - continued

On February 13, 2008, The Accounting Standards Board (“AcSB”) confirmed that the transition to International Financial Reporting Standards from Canadian GAAP will occur on January 1, 2011 for public entities. The impact of this transition on The Company’s consolidated financial statements has not yet been determined; however, management continues to monitor these developments.

### NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and term deposits issued by banks that are short-term highly liquid investments. Cash and cash equivalents at February 29, 2008 include approximately \$700,000 which is reserved for qualifying Canadian Exploration Expenditures pursuant to flow-through private placement agreements.

Cash and cash equivalents is comprised of:

	February 29, 2008	November 30, 2007
Cash	\$ 283,171	\$ 247,293
Term deposits	6,862,450	6,890,175
Total	\$ 7,145,621	\$ 7,137,468

### NOTE 4 INVESTMENTS

#### Investments – available for-sale

##### *Strike Minerals Inc.*

The Company’s investment in Strike Minerals Inc. has been classified as available-for-sale and has been recorded at fair value with accumulated unrealized losses of \$30,000 net of tax recoveries of \$5,000 recognized in other comprehensive income.

#### Investments – other

##### *UMC Energy plc*

On December 22, 2006, Cline acquired a 40% interest in UMC Energy plc (“UMC”), receiving 12,272,667 ordinary shares of UMC in exchange for Cline’s 80% interest in URAMAD SA (“URAMAD”). The shares of UMC are listed for trading on the London Stock Exchange AIM market.

The investment in UMC has been accounted for as an equity investment and accordingly, the investment was initially recorded at cost. The Company’s audited financial statements as at November 30, 2007 include the Company’s pro-rata share of the operating results of UMC for the period ended July 31, 2007. UMC’s fiscal year end is December 31; however, the audited financial statements for the period then ended are not yet publicly available. The Company has estimated that its pro-rata share of UMC’s results for the five months ended December 31, 2007 to be a loss of \$245,000 (£120,000). This estimated pro-rata share of the loss has been included in the investment in UMC and the Consolidated Statements of Operations and Comprehensive Earnings (Loss).

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

For the three months ended February 29, 2008  
(Prepared without audit)

**NOTE 4 INVESTMENTS - continued**

As at February 29, 2008, the investment in UMC is recorded as follows:

Balance as at November 30, 2007	\$ 3,699,013
Add (deduct):	
Share of operating loss for the five months ended December 31, 2007	(245,000)
Foreign currency translation adjustment	9,600
	\$ 3,463,613

UMC's financial statements are recorded in British pounds and the Company's estimated share of the operating loss of UMC in the amount \$245,000 above, has been converted into Canadian dollars based on the average exchange rates between August 1, 2007 and December 31, 2007. Had the financial period ends of the Company and UMC been coterminous the Company's share of the UMC loss, based on the exchange rates prevailing as at February 29, 2008, would have been reduced by approximately \$12,000.

**NOTE 5 CAPITAL ASSETS**

Capital assets are represented by the following:

	February 29, 2008			November 30, 2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 18,448	\$ 12,775	\$ 5,673	\$ 7,770
Computer software	11,479	11,479	-	-
Exploration equipment	209,375	63,879	145,496	158,582
Furniture, fixtures and office equipment	33,323	17,955	15,368	17,035
Leasehold improvements	10,764	10,177	587	605
Vehicle	29,547	11,607	17,940	18,994
	\$ 312,936	\$ 127,872	\$ 185,064	\$ 202,986

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

- (i) During the period, the Company renewed Management and Administrative Services Agreements with companies related to or controlled by officers of the Company with respect to consulting services. The agreements are for a one year term effective December 1, 2007 and are subject to a termination fee of one year's fees. Future payments pursuant to these contracts aggregate \$32,333 per month.

During the period, companies related to or controlled by officers and directors of the Company were paid \$144,409 (2007 - \$151,460) with respect to consulting and management fees. These amounts are included in consulting and management fees of \$156,409 (2007 - \$164,756). In addition, certain officers of the Company, who also acted as directors were paid a total of \$6,000 (2007 - \$12,000) with respect to directors fees.

# CLINE MINING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 29, 2008  
(Prepared without audit)

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

(ii) Receivables at February 29, 2008 in the amount of \$329,464 (November 30, 2007 - \$301,881) include \$35,548 (November 30, 2007 - \$40,548) due from officers with respect to travel advances.

Accounts payable and accrued liabilities at February 29, 2008 in the amount of \$674,926 (November 30, 2007 - \$591,891) includes amounts due to, or accrued as payable to, related parties in the amount of \$57,884 (November 30, 2007 - \$53,377). The parties are related by virtue of their shareholders or principals acting as directors or officers of the Company.

(iii) During the period, the Company repaid the balance of advances in the amount of \$74,543 to UMC.

(iv) During the period, a director of the Company participated in the non-brokered private placement financing of flow-through shares. The director acquired 1,800,000 common shares in the Company at a price of \$0.25 per share for total proceeds of \$450,000 to the Company (see Note 7).

Transactions with related parties are incurred in the normal course of operations and recorded at the exchange amount, being the price agreed between the parties.

### NOTE 7 SHARE CAPITAL

Authorized - Unlimited common shares without par value.

The Company's share capital outstanding as at February 29, 2008 and the changes for the three months then ended are as follows:

	Number of Shares	Amount
Balance as at November 30, 2007	72,385,275	\$ 24,296,551
For cash:		
Private placement of flow-through shares	4,000,000	983,419
Renunciation of flow-through share income tax benefits	-	(586,000)
Balance as at February 29, 2008	76,385,275	\$ 24,693,970

#### Share Issuance

During the period the Company:

(i) Completed a non-brokered private placement financing for gross proceeds of \$1,000,000 through the sale of 4,000,000 flow-through shares at a price of \$0.25 per share. Share issuance costs related to this financing in the amount of \$16,581 have been allocated to share capital. The shares acquired are subject to a four month hold period expiring on May 1, 2008.

In connection with this private placement financing, the Company agreed to renounce to the subscribers of the flow-through shares, \$1,000,000 of qualifying Canadian Exploration Expenditures ("CEE") effective December 31, 2007. The estimated future tax effect of this renunciation in the amount of \$335,000 has been allocated to share capital and recorded as a future tax liability during the current period. In addition, the Company agreed to indemnify the subscribers for any tax payable by them should the Company not incur the qualifying CEE on or before December 31, 2008. At February 29, 2008 the Company had incurred approximately \$300,000 of the qualifying CEE required.

# CLINE MINING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 29, 2008  
(Prepared without audit)

### NOTE 7 SHARE CAPITAL - continued

- (ii) Effective December 31, 2007, the Company renounced \$750,000 of Canadian Exploration Expenditures with respect to certain flow-through private placements completed during the year ended November 30, 2007. The estimated future tax effect of this renunciation in the amount of \$251,000 has been allocated to share capital and recorded as a future tax liability during the current period.

#### Stock options

The Company's outstanding stock options as at February 29, 2008 and the changes for the three months then ended are as follows:

	Number of Options	Weighted Average Exercise Price
Balance as at November 30, 2007	6,210,000	\$ 0.51
Options forfeited	(570,000)	0.61
Balance as at February 29, 2008	5,640,000	\$ 0.50

Options to acquire common shares outstanding at February 29, 2008 are as follows:

Number Outstanding	Exercise Price	Expiry Date
600,000	0.82	January 6, 2010
400,000	0.82	March 9, 2010
520,000	0.82	September 7, 2010
500,000	0.82	February 2, 2011
500,000	0.82	September 6, 2011
200,000	0.35	December 5, 2011
100,000	0.47	January 23, 2012
2,000,000	0.23	October 12, 2012
820,000	0.23	November 5, 2012

All stock options outstanding at the period end are fully vested and exercisable. The weighted average remaining contractual life of the options outstanding at the period end is 3.75 years.

#### Warrants

There were no changes in the Company's share purchase warrants outstanding during the period.

	Number of Warrant Shares	Fair Value of Warrants	Weighted Average Exercise Price
Balance, as at February 29, 2008	9,994,587	\$ 1,409,514	\$ 0.52

The number of warrant shares represents the number of shares that may be acquired on the exercise of the outstanding warrants.

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

For the three months ended February 29, 2008  
(Prepared without audit)

**NOTE 7 SHARE CAPITAL - continued**

Warrants to acquire common shares outstanding at February 29, 2008 are as follows:

Number of Warrants	Number of Warrant Shares	Fair value of Warrants	Exercise Price	Expiry Date
1,923,074	961,537	\$ 1,923	\$ 1.15	April 30, 2008
191,100	95,550	191	1.15	May 3, 2008
1,875,000	937,500	23,000	0.90	September 23, 2008
4,000,000	4,000,000	950,400	0.35	January 8, 2009
4,000,000	4,000,000	434,000	0.43	April 27, 2009

The weighted average remaining contractual life of the warrants outstanding at the end of the period is 0.8 years.

**Agent Units**

Pursuant to flow-through private placement financings completed in 2006 and 2007, the Company issued Agent Units entitling the agents to purchase Units of the Company.

There were no changes in the Agents Units outstanding during the period.

	Number of Agent Units	Fair Value of Agent Units	Weighted Average Exercise Price
Balance, as at February 29, 2008	279,235	\$ 18,000	\$ 0.46

Agents Units to acquire common shares outstanding at February 29, 2008 are as follows:

Number of Units	Number of Unit Shares	Fair value of Units	Exercise Price	Expiry Date
147,985	147,985	\$ 3,000	\$ 0.52	October 31, 2008
131,250	131,250	15,000	0.40	March 23, 2009

The weighted average remaining contractual life of the Agents Units outstanding at the end of the period is 0.9 years.

**NOTE 8 CONTRIBUTED SURPLUS**

There were no changes to contributed surplus during the period.

# CLINE MINING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 29, 2008  
(Prepared without audit)

### NOTE 9 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The Company's accumulated other comprehensive income (loss) as at February 29, 2008 and the changes for the three months then ended are as follows:

Balance, as at November 30, 2007	\$ 30,130
Unrealized gain on available-for-sale securities, net of tax of \$8,600	(41,400)
Translation adjustment (Note 4)	9,600
Balance, as at February 29, 2008	\$ (1,670)

### NOTE 10 EARNINGS (LOSS) PER SHARE

Basic earnings per share are computed by dividing earnings by the weighted average number of shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share. Diluted earnings per share are computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options. If dilutive, the number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the year.

The effect of potentially dilutive securities has been excluded from the computation of diluted weighted average number of shares outstanding, as they are anti-dilutive to the basic loss per share.

### NOTE 11 COMMITMENTS

- (i) The Company is required to make the following payments with respect to operating lease agreements for office space.
 

Year ending November 30, 2008	\$ 60,678
Year ending November 30, 2009	6,742
- (ii) 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, \$60,000 to the government of Madagascar for permit fees and \$200,000 in annual royalty payments to the optionors of the Lossan and Lodgepole coal properties.
- (iii) The Management and Administrative Services Agreements discussed in Note 6(i) commit the Company to pay \$32,333 per month to companies related to or controlled by officers of the Company. In addition, termination payments equivalent to one year's fees are payable with respect to these agreements.
- (iv) In connection with private placement financings completed in December 2007, the Company agreed to renounce to the subscribers of flow-through shares, \$1,000,000 of qualifying Canadian Exploration Expenditures ("CEE") effective December 31, 2007. In addition, the Company has agreed to indemnify the subscribers for any tax payable by them should the Company not incur the qualifying CEE on or before December 31, 2008. At February 29, 2008 the Company had incurred approximately \$300,000 of the qualifying CEE required.
- (v) Pursuant to a Framework Agreement with the Ktunaxa Nation, the Company has agreed to pay up to \$15,000 annually to the Ktunaxa Nation to cover a portion of the costs to implement the agreement.

# CLINE MINING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 29, 2008  
(Prepared without audit)

### NOTE 11 COMMITMENTS - continued

- (vi) In connection with the agreement entered into in December 2007 with New Elk Coal Company LLC (“NECC”), the Company has agreed to make payments of U.S. \$30,000 per month while it carries out its due diligence with respect to the acquisition of the NECC assets. The Company may choose to cease making these payments at any time.

### NOTE 12 SEGMENTED INFORMATION

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

	Canada	Madagascar	United Kingdom	Total
Mineral interests	\$ 11,998,433	\$ 289,199	\$ -	\$ 12,287,632
Corporate and other assets	7,815,857	78,695	3,463,613	11,358,165
Total assets	\$ 19,814,290	\$ 367,894	\$ 3,463,613	\$ 23,645,797
Loss for the period	\$ (451,802)	\$ (6,803)	\$ (245,000)	\$ (703,605)

### NOTE 13 MANAGEMENT OF CAPITAL

The Company’s objectives when managing capital are:

- to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders; and
- to maintain a flexible capital structure, which optimizes the cost of capital, at an acceptable risk.

The capital structure of the Company consists of cash and cash equivalents and shareholders’ equity is comprised of share capital, contributed surplus, warrants and deficit.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company, subject to approval of the Board of Directors, may attempt to issue new shares, issue new debt or acquire or dispose of assets. The Company may also adjust the amount of cash and short-term investments balances.

The Company expects that its current capital resources will be sufficient to meet its financial commitments, including planned exploration on its mineral properties and administrative expenditures until the middle of 2009. Significant additional capital, however, will be required to complete the development of the Company’s Lodgepole or Lossan coal projects. In addition, after carrying out its due diligence, should the Company complete the acquisition of the assets of NECC pursuant to the agreement between the Company and NECC, significant additional capital will also be required.

The Company is not subject to any capital requirements imposed by a regulator.

# CLINE MINING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 29, 2008  
(Prepared without audit)

### NOTE 14 FINANCIAL INSTRUMENTS

#### Fair value of financial instruments

The carrying value of the Company's cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

#### Credit risk

The Company does not have a significant credit risk exposure to any individual customer or counterparty. Concentrations and exposure to credit risk are directly impacted by a decline in the economic conditions of the mining industry.

Cash and cash equivalents are invested with larger Canadian financial institutions, are subject to minimal risk of changes in value, have an original maturity of three months or less from the date of purchase and are readily convertible into a known amount of cash.

The carrying value of the Company's financial instruments represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>February 29, 2008</u>	<u>November 30, 2007</u>
Financial assets:		
Held for trading, measured at fair value		
Cash and cash equivalents	\$ 7,145,621	\$ 7,137,468
Loans and receivables, measured at amortized cost		
Accounts receivable	329,464	301,881
Investments, available for sale, measured at fair value	145,000	186,400
Financial liabilities, measured at amortized cost		
Accounts payable and accrued liabilities	674,926	591,891

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's operations or the value of its financial instruments. Although the majority of the Company's operations are located in Canada, the Company also operates in Madagascar and the United States where costs are incurred in United States dollars.

#### Liquidity risk

The Company's investment policy is to invest its excess cash in high-grade investment securities with varying terms to maturity, selected with regard to the expected timing of expenditures for continuing operations. Accounts payable and accrued liabilities are all current.

CLINE MINING CORPORATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 29, 2008  
(Prepared without audit)

**NOTE 15 SUBSEQUENT EVENT**

Subsequent to the period end and pursuant to the agreement entered into with NECC in December 2007, the Company agreed to advance additional funds, by way of demand loan notes to NECC. The advances are interest free and repayable on demand and as of April 12, 2008, the Company had advanced to NECC U.S. \$350,000.