Cline Mining Enters Into Agreement for Financial Restructuring

TORONTO, ONTARIO--(Marketwire - Dec. 27, 2012) - Cline Mining Corporation ("Cline" or the "Company") (TSX:CMK) announced today that it has entered into an agreement with Marret Asset Management Inc. ("Marret"), on behalf of certain funds advised by it, providing for a financial restructuring (the "Restructuring") of the Company. Under the terms of the Restructuring, adjustments will be made to the terms of the Company's outstanding 10% senior secured bonds (the "Bonds") and, subject to approval by the Toronto Stock Exchange (the "TSX"), the exercise price of the company's outstanding share purchase warrants will be changed and additional securities of the Company will be issued as described below.

The Bonds were issued under a trust indenture (the "Trust Indenture") dated as of December 13, 2011 between Cline, Computershare Trust Company of Canada (the "Trustee") and Marret. In connection with the execution of the Trust Indenture and the issuance of the Bonds, the Company issued 10 million warrants (the "Existing Warrants") to certain bondholders. Each Existing Warrant currently entitles the holder to purchase one common share of the Company at a price of CDN$1.15 until May 14, 2015.

Ken Bates, the President and Chief Executive Officer of the Company, commented: "This restructuring is an important step in the Company's efforts in developing a long-term financial solution to address the uncertainty regarding the magnitude and extent of the downturn in the coal markets."

As previously announced on December 18, 2012, the Company was unable to make the semi-annual payment of interest on the Bonds in the amount of US$2,500,000 that was due on December 17, 2012 (the "Interest Default"). The principal reason for Cline's present financial difficulties was the suspension of operations at Cline's New Elk metallurgical coal mine in Los Animas County, Colorado, as announced by Cline on July 11, 2012. Due to economic and recessionary pressures, demand for production from the mine, which was the only revenue generating mining asset of Cline, had dropped to such an extent that a temporary suspension of production was necessary in order to manage costs. The suspension is still in effect pending improved market conditions.

To address these issues, Cline, the Trustee and Marret, on behalf of the bondholders as applicable, have agreed to the following principal terms of the Restructuring:

- the Trustee will forbear from taking any action to enforce certain of its rights under the Trust Indenture, subject to the Restructuring being carried out within specified time limits;
- the Trust Indenture will be amended to permit the issuance of additional Bonds, which will rank equally with the existing Bonds;
- Marret, on behalf of the bondholders, will purchase US$7,000,000 of new Bonds which will have the same terms as the existing Bonds (as amended), with US$2,500,000 to be used to satisfy in full the amount of the Interest Default;
- Cline will pay the bondholders a forbearance and restructuring fee in the amount of US$2,500,000, which will be satisfied by issuing additional Bonds;
- the exercise price for the Existing Warrants will be amended to 100% of the weighted average trading price of Cline's common shares on the TSX for the five trading days preceding December 24, 2012, the date of the agreement providing for the Restructuring;
- Cline will pay all out-of-pocket expenses properly incurred by Marret, the Trustee and the bondholders in connection with the Restructuring, including the legal fees, costs and expenses of the legal counsel to Marret, the Trustee and the bondholders;
- the price payable by Cline to the bondholders in the event of a change of control of Cline (which includes, among other things, a sale of all or substantially all of the assets of Cline and its subsidiaries) will be increased from 104.5% to 110% of the principal and interest owing on the Bonds;
- Cline will be required to pay to the bondholders a fee of 10% of the principal and unpaid interest owing on the Bonds if an event of default occurs prior to the completion of a Cline Transaction or Marret Plan (as defined below);
- the interest rate on the Bonds will increase by 2% per annum after the occurrence of an event of default;
- Cline will pay the bondholders a commitment fee in the amount of US$350,000 in respect of the purchase of the US$7,000,000 of new Bonds; and
- Cline will issue 1,400,000 new warrants (the "New Warrants") to the bondholders as an additional commitment fee, with the New Warrants having the same terms as the Existing Warrants (as amended).

The Restructuring will also include a recapitalization (the "Marret Plan"), as described below, unless, by April 30, 2013, Cline implements a transaction the ("Cline Transaction") which results in any of (i) a take-over bid of, or other business combination with, Cline in which any person or group of persons acting in concert acquires 50% or more of the equity securities of Cline, (ii) the sale of all or substantially all of the assets or business of Cline and its subsidiaries, or (iii) a recapitalization of Cline, subject to certain conditions including that as a result of such recapitalization Cline receives at least CDN$35,000,000 of gross cash proceeds from the issuance of equity securities or, as a result of such sale, Cline receives sufficient net proceeds to repay all amounts (including interest, premium, principal and other fees) owing on or under the Bonds and the other financing documents. The principal terms and conditions of the Marret Plan, which will be subject to the approval of the TSX, are set out below:

- US$25,000,000 principal amount of the Bonds will be exchanged for 2.091 billion common shares of Cline, being an effective exchange price of approximately US$0.012 per share;

- the current common shareholders of Cline will receive rights to subscribe for up to an aggregate of 1.711 billion common shares at a subscription price of CDN$0.0205 per share for gross proceeds of CDN$35,000,000. Marret, on behalf of the bondholders, will act as stand-by underwriter for the rights offering for a fee of US$3,500,000 which may, at the option of Cline, be satisfied by the issuance of Bonds which Marret would exchange for common shares of Cline at the rights offering subscription price. Assuming that all rights are exercised by the current common shareholders of Cline, and subject to currency fluctuations, those shareholders will then own approximately 46% of the outstanding common shares and the bondholders will own approximately 54%;

- the maturity date of the Bonds will be extended for two years to February 27, 2016;

- Cline will issue warrants to its current common shareholders on a *pro rata* basis, entitling the holders to acquire common shares for no consideration for a period of three years. The common shares issuable on exercise of the warrants will, in the aggregate, represent 5% of the *pro forma* outstanding common shares. The warrants will not be exercisable except (i) when the 20-day volume-weighted average trading price of the common shares reaches or exceeds CDN$0.0615 per share, or (ii) immediately preceding a transaction that would constitute a change of control of Cline (including by way of a merger, plan of arrangement or similar transaction) at a price (or value) per common share equal to or greater than CDN$0.0615. In either of these two events, the warrants will be deemed to be exercised and automatically converted into common shares;

- the Marret Plan will be implemented on the earliest of (i) March 10, 2013, if by February 28, 2013 Cline has not received a letter of intent by February 28, 2013 with respect to a Cline Transaction, (ii) April 10, 2013, if by March 31, 2013 Cline has not entered into a binding agreement to implement a Cline Transaction, or (iii) May 10, 2013, if by April 30, 2013 Cline has not implemented a transaction to effect a Cline Transaction; and

- a one-time termination fee of CDN$1,750,000, plus all reasonable legal fees and related expenses incurred by the bondholders will be payable by Cline if the Marret Plan does not proceed, except under certain conditions including if the Marret Plan does not obtain requisite approvals.

Cline's management and Board of Directors expects the Restructuring to provide the necessary funding in both the short-term and long-term to address Cline's financial difficulties, including the sustaining of the Company for approximately three years of operations under care and maintenance or, alternatively, providing the Company with sufficient funding to ramp up operations to production if sales contracts are in place to warrant the recommencement of production, and to fulfill the Company's obligations under the Trust Indenture. The Company continues to advance discussions with customers for the sale of its metallurgical coal and will provide an update to the market in the first quarter of 2013.

As the Restructuring will result in the issuance of common shares to the bondholders in excess of 25% of the number of currently outstanding common shares of the Company and at a price that is at a significant discount to the current market price of the common shares, the Restructuring would ordinarily require shareholder approval under the requirements of the TSX. However, the Company has applied for an exemption from the shareholder approval requirement on the basis of financial hardship, given that the immediacy of Cline's need to address its financial difficulties through the Restructuring does not afford it sufficient time to hold a meeting of shareholders.

About Cline

Cline has metallurgical coal property interests in British Columbia and in Colorado, U.S.A. with NI 43-101 independent Technical Reports. Cline Mining Corporation is focused on the exploration and development of metallurgical steel making coals in Canada and the U.S., and on its iron ore property in Madagascar and its Cline Lake gold property in northern Ontario, Canada.

Forward-Looking Statements

This press release contains forward-looking statements (including "forward-looking information" within the meaning of applicable Canadian securities legislation and "forward-looking statements" within the meaning of the US Private Securities Litigation Reform

Act of 1995) relating to, among other things, the operations of the Company, the environment in which it operates and the Company's future financial and operating performance. Generally, forward-looking statements can be identified by the use of words such as "plans", *"expects"* or *"does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates"* or *"does not anticipate",* or *"believes",* or variations of such words and phrases or statements that certain actions, events or results *"may", "could", "would", "might"* or *"will be taken", "occur"* or *"be achieved".* Such statements are based on assumptions, estimates, forecasts and projections made in light of the trends, conditions and expected developments that are considered to be relevant and reasonable in the circumstances at the date that such statements are made. Forward-looking statements are not guarantees of future performance and such information is inherently subject to known and unknown risks, uncertainties and other factors that are difficult to predict and may be beyond the control of the Company. A number of factors and assumptions may cause actual results, level of activity, performance or outcomes of the Company to be materially different from those expressed or implied by such forward-looking statements including, without limitation, the future price of coal, industry market trends and predictions, the estimation of mineral reserves and resources, capital, operating and exploration expenditures, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and regulatory matters and other risks set forth in other public filings of the Company. Consequently, undue reliance should not be placed on such forward-looking statements. In addition, all forward-looking statements in this press release are given as of the date hereof. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, save and except as may be required by applicable securities laws.

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