MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED MAY 31, 2013

The following is management's discussion and analysis ("MD&A") of Cline Mining Corporation ("Cline" or "the Company") for the three and six months ended May 31, 2013 ("second quarter 2013") and its financial position as at May 31, 2013. It was prepared using information that is current as of July 22, 2013 and should be read in conjunction with the audited annual consolidated financial statements as at November 30, 2012, including the notes thereto. The comparative reporting period is the three and six months ended May 31, 2012 ("second quarter 2012").

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All figures are in Canadian dollars, unless otherwise noted. The MD&A has been prepared in compliance with National Instrument 51-102 – *Continuous Disclosure Obligations*.

The Company's financial statements include those of its wholly owned subsidiaries, the Iron Ore Corporation of Madagascar SARL ("IOCM") and the New Elk Coal Corporation LLC ("New Elk") (from the date of acquisition on July 25, 2008).

Cline's main asset, the New Elk coal mine located near Trinidad, Colorado (U.S.A.), is currently under a care and maintenance program. The Company's most recent technical report released on July 6, 2012 and titled "NI 43-101 Technical Report, New Elk Mine Property, Los Animas County, Colorado USA Prepared for New Elk Coal Company LLC, subsidiary of Cline Mining Corporation" (the "2012 Technical Report") prepared by Agapito Associates, Inc., references a substantial resource and economic valuation, measured over a 20-year period. The report is filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online at www.sedar.com or at the Company's website at www.clinemining.com.

Additional information relating to the Company and subsequent press releases, have been filed electronically through SEDAR and is available online at www.sedar.com or at the Company's website at www.clinemining.com.

The Company's shares were traded under the trading symbol of "CMK" on the Toronto Stock Exchange ("TSX") until they were voluntarily delisted during the second quarter 2013.

Certain information set forth in this MD&A includes management's assessment of the Company's future plans and contains forward-looking statements. Although this information is based on the Company's current internal expectations, assumptions and estimates, it may prove to be incorrect. (Refer the section "Cautionary Note Regarding Forward Looking Information" below).

EXECUTIVE SUMMARY

Overview and Corporate History

Cline is an exploration and development company with a coal mining operation in Colorado which is currently on care and maintenance. Substantially all of the Company's efforts are devoted towards maintaining its coal mine and furthering exploration of its other projects. Cline's continuing corporate goal is to become a profitable, growth-oriented international mining company.

In addition to Cline's wholly owned coal mine in Colorado (U.S.A.), the Company also owns, or holds an interest in, gold properties in Ontario (Canada), shares in a Uranium company, and an iron ore property in Madagascar.

For a fulsome description of the Company's corporate history please refer to the Annual Information Form for the year ended November 30, 2012.

Corporate Developments

The second quarter of 2013 and the start of the subsequent quarter has been an exceptionally busy time for the Company, due mainly to the poor market conditions and resultant financial burdens imposed on the Company.

At the end of the first quarter of 2013 the Company entered into a non-binding letter of intent (the "Non-binding LOI") with Portpool Investments Ltd. ("Portpool") for an equity recapitalization of the Company that would result in a minimum of $35 million of gross cash proceeds to Cline (a "Cline Transaction"). The implementation of the Cline Transaction was subject to, among other things, Cline entering into a definitive agreement and the obtaining of certain approvals from the TSX. The Cline Transaction is an alternative to the restructuring transaction (the "Marret Plan") that was previously negotiated with Marret Asset Management Inc. ("Marret"), on behalf of certain funds advised by it, as first described in Cline's press release of December 27, 2012. The agreement with Marret contemplated that the Marret Plan would not be carried out if Cline was able to obtain an alternative transaction meeting specified criteria, including the entering into of a binding agreement to implement the Cline Transaction by March 31, 2013 and the subsequent implementation of the Cline Transaction by April 30, 2013.

On April 1, 2013 the Company announced that it had entered into a subscription agreement (the "Subscription Agreement") with Portpool. Pursuant to the Subscription Agreement, Portpool was required to provide $2.5 million of the aggregate subscription price to Cline as a non-refundable deposit. On April 5, 2013, the deadline for receipt of the non-refundable deposit was extended to 5:00 p.m. (EDT) on April 10, 2013. The non-refundable deposit was not received by the extended deadline and the Subscription Agreement terminated pursuant to its terms. On April 10, 2013 the Company reported that it had terminated the agreement with Portpool with respect to Cline Transaction.

Upon termination of the Subscription Agreement, Cline was obligated to complete the Marret Plan that was previously negotiated with Marret. Pursuant to the Marret Plan, Cline filed a preliminary prospectus with respect to a rights offering by May 10, 2013.

On April 11, 2013 and in accordance with the Marret Plan announced on December 27, 2012, certain investment funds advised by Marret purchased US$2,500,000 of 10% secured bonds, which have the same terms as the Company's other outstanding bonds.

On May 21, 2013, Bill McKnight resigned as Chairman, and Mark Haywood was appointed Executive Chairman. On May 24, 2013, Kenneth Bates resigned as President and Chief Executive Officer and Mark Haywood assumed the role of President and Chief Executive Officer.

On June 3, 2013, Marret advised that they would not proceed with the Marret Plan, and the Company was forced to withdraw the preliminary prospectus.

On June 13, 2013, Ernest Cleave resigned, and Paul Haber was appointed the new Chief Financial Officer. David Stone also resigned as Chief Operations Officer, and Mark Haywood assumed the role of General Manager of New Elk after restructuring the organization.

The new management team immediately began reducing corporate overheads, implementing a number of strategies to significantly reduce the New Elk operating costs and contract liabilities, and to also address the considerable outstanding vendor payable balances totaling $8.2 million in Canada and the U.S.A. as accrued by the previous management. Cline is entirely focused on working with its re-energized mining team and existing stakeholders in order to renew and re-position the Company to be a self-sustaining venture on a go forward basis.

Highlights of Second Quarter 2013 and Overall Performance

A comprehensive discussion of the progress and recent developments at the Company's New Elk metallurgical coal mine is presented in the section "Properties and Exploration Projects – New Elk" below.

As at May 31, 2013 the Company had assets of $315,577,657 compared with $289,971,819 at November 30, 2012. The net equity position of $241,726,835 at May 31, 2013 compares with $237,654,141 at November 30, 2012. Mineral properties under development of $299,571,565 at May 31, 2013 compares with $271,647,166 at November 30, 2012, Exploration and evaluation assets of $3,720,056 at May 31, 2013 compares with $3,695,000 at November 30, 2012.

On July 9, 2013 the Company announced that it had successfully closed on a $9,490,988 10% senior secured convertible bond financing with Marret (this includes the June 17th, 2013 interest payment owing of approximately $3.2 million which was satisfied through the issuance of bonds).

Outlook

New management at Cline and at New Elk continues to identify, control and reduce its operating costs across the group. While the Company's New Elk coal mine is on care and maintenance, Cline will develop a new Life of Mine plan ("LOM") to be consistent with market realities and opportunities for a long-term sales agreement and a financial investment from either a private placement or joint venture.

Going concern

The Company's ability to continue as a going concern is dependent upon its ability to fund its working capital, exploration and development requirements and eventually to generate positive cash flows, either from operations or sale of properties. Please refer to Note 1 of the Company's condensed interim consolidated financial statements for the second quarter 2013 for further discussion in this regard.

PROPERTIES AND EXPLORATION PROJECTS

The New Elk mine and Canadian coal properties are discussed below and are the only properties for which any substantial operational developments exist. For a description of the Company's remaining assets in gold, uranium and iron ore please refer to the Company's Annual Information Form for the year ended November 30, 2012.

Metallurgical Coal

New Elk Property

The Company owns 100% of the New Elk mine and property located in Las Animas County, near the town of Trinidad in southern Colorado, U.S.A. The New Elk mine comprises a major metallurgical coal resource, underground mine developments and surface coal preparation plant and infrastructure, as detailed below.

The New Elk mine has M&I coal resources of 618.9 million tons of NI 43-101 compliant in-place metallurgical steel making and thermal grade coals, which are detailed in the 2012 Technical Report. The New Elk assets include a coal preparation plant, which was recently upgraded to a production capacity of 800 tons per hour (Run-Of-Mine), product coal silos and rail load-out, buildings, railway right of ways, surface real estate, mining equipment, conveyor systems, electrics, underground workings with mine portal accesses from the plant site, mine permits and coal waste dump.

There has been no change to the outputs of the technical mine planning review process for operations of the New Elk mine that was completed during September 2012. The main focus of the review and subsequent mine plan was on the development of the Central Zone of the mining lease, which provides optimum utilization of the already present infrastructure coupled with the highest short-term production output possible; without sterilizing any of the existing resource. The Northern and Southern areas of the lease provide an exceptional upside case and will be fully developed once the action plan for the Central Zone is complete and pending future production scheduling. These areas in supplement to the Central Zone facilitate the ability to perform low-capital brownfields expansion.

The Company is initially working within the parameters of utilizing existing underground mining equipment on site, which includes 10 continuous miners, 10 roof bolters, 10 scoops, 15 shuttle cars, 17 power centres, 3 feeder breaks plus associated equipment. A long-wall system is also planned for integration into the operation.

New management have reviewed the previously proposed mine plans at New Elk, and based upon implementing a number of new strategies for cost control and operational efficiencies, is in the process of completing a new Life Of Mine plan ("LOM") which is expected to offer a significantly lower operational cash cost.

Lodgepole, Sage Creek and Cabin Creek Coal Mine Properties

These properties have been written off due to the revocation by Government of the Company's coal mining Licenses (Titles), issued by Government in British Columbia, Canada. Please refer to the MD&A and fiscal year-end financial statements as at November 30, 2009 for further discussion in this regard. At the request of the British Columbia government, the Company has filed a claim for compensation from government for the fair value of the coal properties. The compensation requested from government is $274 million with respect to the Lodgepole coal mine property plus $235 million for the Sage Creek coal mine property. The amounts claimed represent the net present value assessment and calculation made by independent Canadian engineering companies compliant with and pursuant to NI 43-101. The Company has met government and has formally initiated its claim.

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

Financial Overview and Selected Financial Information

Highlights of Quarterly Results:

Quarter Ending	Income (Loss)	Earnings (Loss) per share (Diluted)	Expenses (excl. other expense) income)	Cash provided (used in) operating activities	Cash end of period	Assets end of period
May 31, 2013	$ (3,451,021)	$ (0.015)	$ (3,426,574)	$ (2,136,792)	$ 331,555	$ 315,577,657
Feb. 28, 2013	(3,079,558)	(0.015)	(3,032,610)	(1,401,441)	1,672,786	$ 308,522,891
Nov. 30, 2012	2 ,832,667	(0.014)	(2,935,833)	(637,831)	2,009,398	289,971,819
Aug. 31, 2012	(1,925,330)	(0.009)	1,724,815	(144,935)	7,605,837	282,172,951
May 31, 2012	(5,845,301)	(0.028)	(3,666,615)	(2,158,663)	29,000,416	296,530,236
Feb. 29, 2012	(20,767)	(0.000)	(2,055,554)	(995,215)	43,865,313	258,398,207
Nov. 30, 2011	18,706,242	0.090	(11,704,592)	(2,679,164)	58,561,743	250,927,601
Aug. 31, 2011	(992,755)	(0.005)	(992,568)	(691,667)	57,353,320	208,433,672

Note i) - 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 ii) - The Company is in the development stage and does not earn revenue.

Second Quarter 2013

The loss for the second quarter 2013 of $3,451,021 and comprehensive loss of $2,602,059 (basic and diluted loss of $0.02 per share) for the second quarter 2013 compares with a loss of $3,778,643 and comprehensive income of $1,324,517 (basic and diluted loss of $0.02 per share)

for the second quarter 2012. Significant year-over-year variances in expenses comparing second quarter 2013 with second quarter 2012 are as follows:

- Legal and audit expense of $839,920 for the second quarter 2013 compares with $278,322 for the corresponding period last year; the increase is attributable to increased legal fees associated with the Marret Plan as well as costs associated with an alternative investment qualified as a Cline Transaction.

- Stock based compensation was $Nil compared to $2,884,000 as a result of no stock options being granted in the quarter.

- Directors' fees and expenses for the second quarter 2013 of $120,413 compares with $66,000 for the second quarter 2012, reflecting the increase in the size of the board.

- General, administrative and office costs for the second quarter 2013 decreased by $235,809 over the corresponding period last year, while travel and accommodation decreased by $185,144 during the same period. These reductions are primarily attributable to the Company focusing on reducing costs while working on corporate strategies.

- Foreign exchange loss of $2,083,979 for the second quarter 2013 compares with a gain of $384,890 for the second quarter 2012. The Company's bonds are denominated in US dollars and held in the corporate parent. Given that the Company's functional currency is Canadian dollars, a strengthening US dollar during the first quarter results resulted in an accounting loss proportionate to the movement in the currency exchange rates.

Year-to-Date Second Quarter 2013

The loss for the six months ended May 31, 2013 was $6,530,579 (comprehensive income of $3,787,190) resulted in basic and diluted loss of $0.03 per share. This compares with a loss of $3,748,793 and comprehensive loss of $6,157,129 (basic and diluted loss of $0.02 per share) for the same period last year. Significant year-over-year variances in expenses comparing the year-to-date second quarter 2013 with the year-to-date second quarter 2012 are as follows:

- Legal and audit expense of $1,667,224 compares with $488,500 for the corresponding period last year; the increase is attributable to increased legal fees associated with the Marret Plan as well as costs associated with an alternative investment qualified as a Cline Transaction.

- Directors' fees and expenses of $212,533 compares with $132,000 reflecting the increase in the size of the board.

- Stock based compensation was $Nil compared to $2,884,000 as a result of no stock options being granted in 2013.

- General, administrative and office costs decreased by $226,067 over the corresponding period last year, while travel and accommodation decreased by

$312,982 during the same period. These reductions are primarily attributable to the Company focusing on reducing costs while working on corporate strategies.

- Foreign exchange loss of $3,627,757 for the period compares with a loss of $759,540 for the same period last year. The Company's bonds are denominated in US dollars and held in the corporate parent. Given that the Company's functional currency is Canadian dollars, a strengthening US dollar during the first quarter results resulted in an accounting loss proportionate to the movement in the currency exchange rates.

Cash used in operating activities of $3,538,233 for the six months ended May 31, 2013 compares with $4,657,948 for the same period in 2012, reflecting predominantly the efforts by the Company to reduce its cash burn.

Investing Activities

Development expenditures (inclusive of translation adjustment) of $27,924,399 bring mineral properties under development as at May 31, 2013 to $299,571,565 incurred at the New Elk mine.

The Company's New Elk operations will require substantial capital and operational expenditures during 2013. See the discussion under "Liquidity and Capital Resources" below.

Liquidity and Capital Resources

As at May 31, 2013 the Company had cash and cash equivalents of $331,555 compared with $2,009,398 at November 30, 2012. The reduction in cash is associated with operational and capital expenditures at the New Elk mine, as reflected above. The Company's working capital deficiency at May 31, 2013 of $69.7 million compares with $5.5 million at November 30, 2012. This is primarily a result of the Company’s long term bonds being reclassified as current due to being in default of the bond provisions.

On July 19, 2013 the Company announced that it had successfully closed on a $9,490,998 10% senior secured convertible bond financing with Marret. The above amount include approximately of $3.2 million of interest that was due June 17, 2013 which was satisfied through the issuance of the bonds. The Company is permitted to draw down on this financing on specific conditions under the terms of the arrangement.

Current liabilities and total liabilities at May 31, 2013 of $72,981,984 and $73,850,882 respectively compares with $10,452,109 and $52,317,678 respectively at November 30, 2012. The Company's bonds payable represent $64,733,980 of this total at May 31, 2013 ($43,164,777 at November 30, 2012).

At May 31, 2013, the Company did not recognize operating revenues and will offset its capitalized operating costs with any revenue until such time as the Company's reaches commercial production and revenue recognition criteria are met. The Company will continue utilizing its current cash reserves and funding secured through the exercise of outstanding warrants and stock options and/or new financing efforts until sustainable sales are achieved.

The ultimate revenues received are highly dependent on anticipated coal prices, demand for coal and production levels. Readers are directed to the "Market Risk" disclosures in Note 5 to the Company's condensed interim consolidated financial statements for the second quarter 2013 for a fulsome discussion in this regard.

The Company's cash and cash equivalents are held by major US and Canadian banks, or in redeemable term deposits issued by major banks.

Contractual Obligations and Commitments

Other than the financial obligations as set out below, there are no contractual obligations that will materially affect the Company's future liquidity.

For periods after November 30, 2012, the Company's contractual obligations included:

Under the terms of an occupancy lease agreement expiring August 1, 2015, the Company is required to make monthly payments for office space amounting to $10,644.

In order to keep its mineral properties in good standing, the Company is required to make perpetual annual payments of approximately $60,000 to the government of Madagascar for permit fees.

With respect to the New Elk Coal Property, the Company is obligated to remit perpetual annual land lease, railroad lease, and royalty payments of US$387,352 (CDN$401,710) and annual water lease payments of US$155,000 (CDN$160,704).

Under the terms of the acquisition of the New Elk Property assets, the Company holds an environmental remediation bonds in the amount of US$4,328,513 (CDN$4,593,056). To date, the Company posted further environmental remediation bonds of US$927,121 (CDN$961,239) in relation to operations on this property.

The Management and Administrative Services Agreements as discussed in the Company's condensed interim consolidated financial statements for the second quarter 2013 commit the Company to pay $65,417 per month to companies related to or controlled by officers of the Company. In addition, payments equivalent to the residual scheduled payments on the remaining term of the contracts are payable with respect to these agreements in the event of early termination.

The Company's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in each of the jurisdictions in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Company may also be subject under such regulations to clean up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner that will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent

environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees.

The Company has not determined and is not aware whether any provision for such costs is required and is unable to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

Currently, the Company's financial obligations relating to environmental protection include the restoration of areas affected by the exploration work carried out on our mineral properties. As a condition of work permits issued by the B.C. government, the Company has provided reclamation deposits in amounts representing the estimated liabilities for restoration and completion of each project. To date, the Company has provided total reclamation deposits in the amount of $75,000 (November 30, 2012 - $50,000) with respect to the work permits that have been issued. The restoration work related to each project for which the Company was issued work permits has been completed and the Company has requested the return of the reclamation deposits from the B.C. government.

Under the terms of certain operating leases for construction equipment, the Company is obligated to remit monthly payments of US$32,846 (CDN$34,055) for a period of 48 months commencing in March 2012.

The Company entered into a long term arrangement with the Port of Corpus Christi Authority of Texas providing New Elk with a long-term lease of 18 acres of land that will serve as a coal storage area, adjacent to the shipping channel and proximate to the bulk coal ship-loader. This will provide New Elk with immediate access to the world seaborne export coal markets for the sale of metallurgical coal.

The property lease is effective February 8, 2011, and provides for an initial 5-year lease, with the option for the Company to extend the lease for five additional periods of 5 years. The facility is capable of supporting a throughput of up to 2 million tons of metallurgical coal per year and additional storage area is available to the Company at the Port to accommodate future mine production schedules.

Contractual commitments under the terms of the operating lease comprise rent of US$18,750 per month (CAD$19,440) discounted up to 50% for the first 10 years up to a maximum of $1,125,000. New Elk shall have the right to reduce the amount by 50% of the cost of improvements. New Elk is entitled to a 50% discount on ship loader fees for up to 10 years for a maximum 1,000,000 tons per year, discount not to exceed $625,000 in any one year.

The contract signed by prior management had minimum throughput clauses which require the Company to pay for 15,000 tons per month. As at May 31, 2013 the Company has accrued US$562,500 for minimum payments owing under the contract. The Company is in the process of reviewing this lease.

Class Action Lawsuit

A class action lawsuit was filed on February 1, 2013. The plaintiffs' allege that New Elk Coal Company LLC ("NECC") violated the Worker Adjustment and Retraining Notification Act ("WARN Act") by failing to provide the plaintiffs and the other similarly situated employees at least sixty (60) days advance written notice of the layoffs. In the Complaint, the plaintiffs request that the class be certified by the Court and seek a judgment for "unpaid wages, salary, commissions, bonuses, accrued holiday pay, accrued vacation pay, pension and 401(k) contributions and other ERISA benefits, for sixty (60) days, that would have been covered and paid under the then-applicable employee benefits plans," together with interest, attorneys' fees and costs.

NECC's response to the Complaint is due on April 5, 2013. NECC disputes the legal basis of the allegations made that it violated the WARN Act and intends to vigorously defend against the allegations. The Company has no update to report as it relates to the class action lawsuit.

Transactions with Related Parties

Transactions with related parties are recorded at the transaction amount, being the price agreed between the parties.

During the three and six months ended May 31, 2013, companies related to or controlled by officers and directors of the Company were paid $360,951 and $681,839 respectively (three and six months ended May 31, - $196,251 and $392,502 respectively), with respect to consulting and management fees. In addition, certain officers of the Company, who also acted as directors were paid a total of $126,345 and $215,465 respectively (2012 - $62,723, $132,000 respectively) with respect to directors fees.

Shareholder loan receivable at May 31, 2013 includes $nil (November 30, 2012 - $35,548) due from an officer with respect to travel and expense advances. The shareholder loan is non-interest bearing and payable at the option of the holder.

Accounts payable and accrued liabilities includes amounts due to, or accrued as payable to, directors or officers in the amount of $50,001 (November 30, 2012 - $33,844) with respect to consulting fees, travel and general expenses incurred on behalf of the Company.

A summary of remuneration of directors and senior management of the Company is as follows:

	Second quarter 2013	Second quarter 2012	YTD Second quarter 2013	YTD Second quarter 2012
Remuneration of senior management	$360,951	$196,251	$681,839	$392,502
Remuneration of directors	$126,345	$62,723	$215,465	$132,000

OUTSTANDING SHARE DATA

As at May 31, 2013, the number of outstanding common shares totaled 209,144,977 (November 30, 2012: 209,144,977).

Stock options to purchase 13,100,000 common shares at a weighted average exercise price of $2.02 were outstanding as at February 28, 2013 (November 30, 2012: 15,300,000 at an average exercise price of $2.04).

13,047,030 broker warrants (November 30, 2012: 11,647,030) were outstanding as at February 28, 2012.

As at July 22, 2013, the Company had outstanding 209,144,977 common shares, stock options to purchase 12,200,000 common shares and 13,047,030 broker warrants.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements requires the Company to apply judgment when making estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised.

In the preparation of these consolidated financial statements the Company has also made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the financial statements.

It is reasonably possible that outcomes within the next financial year that are different from assumptions the Company has made could require a material adjustment to the carrying amount of the asset or liability affected.

Impairment of non-financial assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. Recovery of non-financial assets of $32,662 have been recorded for the second quarter 2013, impairment of $49,545 for the six months ended May 31, 2013 (second quarter 2012 – impairment of $135,105, six months ended May 31, 2012 impairment of $90,842). The Company assesses its mineral properties for impairment in accordance with IAS 36, paragraph 12.

The Company determines its recoverable amount by determining the higher of the value in use and the fair value less costs to sell. The Corporation considered recent transactions with the industry, long term views of commodity prices, externally evaluated reserve volumes, and discount rates specific to the cash generating unit ("CGU"). In computing the recoverable

amount, future cash flows were adjusted for risks specific to the CGU and discounted using a post tax discount rate.

Provision for environmental rehabilitation

Management is required to make significant estimates and assumptions in determining the Company's ultimate obligation for environmental rehabilitation. There are numerous factors that will affect the ultimate liability payable including the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Management is also required to apply judgment in determining whether any legal or constructive obligation exists to dismantle, remove or restore its assets, including any obligation to rehabilitate environmental damage on its mineral properties.

At May 31, 2013, the Company had recognized a provision of environmental liability of $868,838 (November 30, 2012 - $793,838).

Mineral properties under development

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for the mineral properties under exploration. Once commercial production has commenced, it is reclassified from mineral properties under development and subject to amortization. As at May 31, 2013 and November 30, 2012 management had determined that no reclassification of mineral properties under exploration was required.

Income taxes

Judgment is required in determining whether deferred tax assets are recognized. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. At May 31, 2013 and November 30, 2012, the Company had recognized no net deferred tax assets.

The measurement of income taxes payable and deferred income tax assets and liabilities also requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

FUTURE ACCOUNTING PRONOUNCEMENTS

The following new or amended accounting standards have been issued by the IASB. These new or amended standards are not yet effective.

Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements ("IFRS 10") and IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"). IFRS 10 establishes principles for

the presentation and preparation of consolidated financial statements when an entity controls one or more other entity. This IFRS defines the principle of control and establishes control as the basis for determining which entities are consolidated in an entity's consolidated financial statements. IFRS 10 sets out three elements of control: a) power over the investee; b) exposure or rights, to variable returns from involvement with the investee; and c) the ability to use power over the investee to affect the amount of the investors return. IFRS 10 sets out the requirements on how to apply the control principle. IFRS 12 outlines the disclosure requirements for interests in subsidiaries and other entities to enable users to evaluate the risks associated with interests in other entities and the effects of those interests on an entity's financial position, financial performance, and cash flows. IFRS 10 and IFRS 12 supersede IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation – Special Purpose Entities.

IFRS 10 and IFRS 12 are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted if adopted along with IFRS 11, IFRS 12, IAS 27 (revised) and IAS 28 (revised). The company does not anticipate adopting these standards before their respective effective dates.

Joint Arrangements

In May 2011, the IASB issued IFRS 11, Joint Arrangements ("IFRS 11"), which provides guidance on accounting for joint arrangements. If an arrangement has joint control, IFRS 11 classifies joint arrangements as either joint operations or joint ventures, depending of the rights and obligations of the parties involved.

A joint operation is an arrangement where the jointly controlling parties have rights to the assets and obligations in respect of the liabilities relating to the arrangement. An entity accounts for a joint operation by recognizing its portion of the assets, liabilities, revenues, and expenses. A joint venture is an arrangement where the controlling parties have rights to the net assets of the arrangement. A joint venture is accounted for using the equity method. Proportionate consolidation is no longer permitted.

This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is currently assessing the impact that IFRS 11 will have on the consolidated financial statements.

IFRS 9 Financial Instruments

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 Financial Instruments (IFRS 9) as a first phase in its on-going project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The

standard also adds guidance on the classification and measurement of financial liabilities. The Company is currently assessing the impact of this standard on the financial statements.

Fair Market Value

In May 2011, the IASB issued IFRS 13, Fair Value Measurement ("IFRS 13"). This standard defines fair value, sets out a single IFRS framework for measuring fair value, and outlines disclosure requirements about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity- specific measurement so assumptions that market participants would use should be applied in measuring fair value.

IFRS 13 is effective for annual periods on or after January 1, 2013, with earlier application permitted. This IFRS is to be applied prospectively as of the beginning of the annual period in which it is initially applied and the disclosure requirements do not need to be applied in comparative periods before initial application. The Company is currently assessing the impact of this standard on the financial statements.

Other

In June 2011, the IASB issued amendments to IFRS 7 Financial Instruments: Disclosures. The Company does not believe the changes resulting from these amendments will have an impact on its financial statements.

In June 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 19 Employee Benefits. The Company does not believe the changes resulting from these amendments will have an impact on its financial statements.

In December 2011, the IASB issued amendments to IAS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures related to offsetting of financial assets and financial liabilities. The Company does not believe the changes resulting from these amendments will have a significant impact on its financial statements.

FINANCIAL INSTRUMENTS

A comprehensive discussion of financial risk factors and a sensitivity analysis of the Company's financial instruments is included in Section 5 of the Company's audited annual consolidated financial statements.

RISKS AND UNCERTAINTIES

The exploration and development of natural resources is a highly speculative activity that involves a high degree of financial risk. These risks should be taken into account in assessing the Company's activities. Any one or more of these risks could materially affect the Company and should be considered in assessing the Company's overall activities.

Additional funding requirements

Substantial additional funding for the establishment of the Company's planned mining operations will be required as well as capital to sustain ongoing operations. No assurances can be given that the Company will be able to obtain the additional financing that may be required to proceed with the planned developments. Some of the factors that will have an impact on the Company's planned mining operations and its ability to raise the required financing are: coal prices, transportation costs, foreign currency exchange rates, capital expenditures, environmental rehabilitation, revenues, taxes and geological results. In order to meet its funding requirements, the Company has obtained additional financing from Marret as described herein. If the Company is unable to obtain additional funds there is significant doubt as to the Company's ability to continue as a going concern. Marret has indicated that it is prepared to advance additional funds if the Company can demonstrate viability of the Company but there is no guarantee that the Company can do so or that Marret will continue to fund the Company.

Exploration, development and operating risks

Cline is in the exploration and development stage and accordingly all costs related to the acquisition, exploration and development of its mineral properties are deferred. The Company expects to recover these costs when production commences, however, the recoverability is dependent upon the existence of economically recoverable reserves and the ability to obtain the necessary financing required to bring the properties to production. Cline does not have any revenues to date from the mineral exploration programs and as such does not have an operating income or any cash flow generated other than through financing activities.

Cline's growth is dependent upon its success in identifying, exploring and developing its mineral properties. The Company expects to incur considerable costs in its ongoing exploration programs and on the initial stages of development. The development of mineral properties is also dependent upon the outcome of feasibility studies that will help identify whether production can return a profit and the ability of the Company to raise the necessary financing.

Volatility of coal prices

One of the most significant factors in determining the future of the Company is the price of coking or metallurgical coal. The price of coal is volatile and is influenced by many factors beyond the Company's control, including international, economic and political trends, fluctuations in currency exchange rates, interest rates, competition and improvements in mining and production methods. Sustained downward movements in coal market prices could render less economic, or uneconomic, some or all of the planned coal mining operations and/or exploration activities to be undertaken by the Company.

Reserve and resource estimates

The Company's reported coal resources are only estimates. No assurance can be given that the estimated coal resources will be recovered or that they will be recovered at the rates estimated. Coal reserve and resource estimates are based on limited sampling, and consequently, are uncertain because the samples may not be representative. Coal reserve and resource estimates may require revision (either up or down) based on actual production experience. Market

fluctuations in the price of coal, as well as increased production costs and reduced recovery rates, may render certain coal reserves and resources uneconomic and may ultimately result in a restatement of reserves and/or resources. Moreover, short-term operating factors relating to the coal resources, such as the need for subsequent development of ore bodies and the processing of new or different ore grades, may adversely affect the Company's profitability in any particular accounting period.

A more comprehensive discussion of risks is described in the Annual Information Form for the year ended November 30, 2012.

INDUSTRY AND MARKET OUTLOOK / TRENDS

Further discussion on metallurgical coal, iron ore, gold and uranium is contained in the Company's annual information form for the year ended November 30, 2012.

Metallurgical Coal

The Q3 quarterly premium low volatile benchmark coking coal price declined by 13.4% to $145 per metric tonne from Q2 pricing levels, with some analysts forecasting that this will remain unchanged moving into Q4. Spot pricing is in the range of $120 to $130 per metric tonne heavily impacted by falling domestic Chinese market pricing. Global steel demand remains weak, with European plate and strip steel product prices falling throughout 1H 2013 and Chinese steel prices ending the Q2 period lower following a sharp fall at the start of Q2. While economic problems in the Eurozone continue and China still faces corporate sector and local government structural problems, signs of economic recovery in the U.S.A. provide some upside for global markets.

Prices for coking coal are now below the breakeven point for many coal producers and there have been several reports from major coal producers of coal operations/projects being idled. This should establish a good platform for stronger prices moving into 2014. It has been reported that prices are expected to remain at current levels until supply is removed from the market. Steel markets in Europe and Asia and the U.S.A. are anticipated to stabilize in Q4 which will also assist in price recovery.

Metallurgical coal spot volumes in the Asia-Pacific market jumped in the first half of 2013 to approximately 15 million metric tonnes, up 39% from the second half of 2012. Much of the growth in spot volumes was attributed to the second-tier coking coal and pulverized coal injection (PCI) segments, rather than prime-hard materials, which grew 0.8% in H1 from H2 2012.

The fundamentals for strong long term steel demand continue to appear robust. India's coking coal demand totaled 43 million metric tonnes in the fiscal year ended March 2012, according to steel ministry data. Demand is expected to rise to 90 million metric tonnes per year by fiscal 2016-17 and further to 121 million metric tonnes per year by fiscal 2020-21 in-line with rising crude steelmaking capacity, according to the Indian Steel Vision 2020 report. Current pricing levels relative to operating costs, supply withdrawal, recovery in the U.S.A. and the outlook for medium to long term steel demand support the view that metallurgical coal prices have bottomed and should recover moving into 2014.

ENVIRONMENTAL LIABILITIES

The Company is not aware of any environmental liabilities or obligations associated with any of its assets and mining interests. The Company continues to conduct its operations in a manner that is consistent with governing environmental legislation.

OFF-BALANCE SHEET TRANSACTIONS

The Company does not have any off-balance sheet arrangements.

PROPOSED TRANSACTIONS

The Company, from time to time, reviews potential merger, acquisition, investment, divestiture and joint venture opportunities.

CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION

This management discussion and analysis 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 future financial and operating performance of Cline and its subsidiaries and the environment in which they operate, the timing and amount of capital expenditures required, the results of exploration and mine development, the realization of mineral reserve estimates, the timing and cost of future production and the availability of funding to Cline. Statements related to "reserves" and "resources" are deemed forward-looking statements as they involve the implied assessment, based on realistically assumed and justifiable technical and economic conditions, that an inventory of mineralization will become economically extractable. 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". Cline has relied on a number of assumptions and estimates in making such forward-looking statements, including, without limitation, the prices of copper, nickel, platinum, palladium and other metal prices, the estimation of mineral reserves and mineral resources, the estimation of capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, and requirements for additional capital. Such assumptions and estimates are made in light of the trends and conditions that are considered to be relevant and reasonable based on information available and the circumstances existing at this time. A number of risk factors may cause actual results, level of activity, performance or outcomes to be materially different from those expressed or implied by such forward-looking statements including those risks set forth in Cline's most recent annual information form under the heading "Risk Factors" and in its other public filings. 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 Cline. Although Cline has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking

statements, there may be other factors and risks that cause actions, events or results not to be as anticipated, estimated or intended. Consequently, undue reliance should not be placed on such forward-looking statements. In addition, all forward-looking statements in this management discussion and analysis are given as of the date hereof.

Cline 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. The forward- looking statements contained herein are expressly qualified by this disclaimer.

In making the forward-looking statements in this Management Discussion and Analysis, the Company has applied several material assumptions, including, but not limited to, the assumption that: (1) market fundamentals will result in improved coal demand and prices; (2) the coal production operations of the New Elk coal mine, once resumed, will be viable operationally and economically; and (3) the project financing, equipment financing and any other financing that may be needed will be available on commercially reasonable terms, if at all. Other assumptions are discussed throughout this Management Discussion and Analysis; in particular, under the heading "Risks and Uncertainties" above.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Executive Chairman and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. Internal control over financial reporting ("ICFR") is designed to provide reasonable assurance that such financial information is reliable and complete.

As at the end of the period covered by this MD&A, management of the Company, with the participation of the Executive Chairman and the Chief Financial Officer, evaluated the effectiveness of the Company's DC&P and ICFR as required by Canadian securities laws. Based on that evaluation, the Executive Chairman and the Chief Financial Officer have concluded that, as of the end of the period covered by this MD&A, the DC&P were effective to provide reasonable assurance that material information relating to the Company was made known to senior management by others and information required to be disclosed by the Company in its annual filings, interim filings (as such terms are defined under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*) or other reports filed or submitted by it under securities legislation were recorded, processed, summarized and reported within the time periods specified in securities legislation. The Executive Chairman and the Chief Financial Officer have also concluded that, as of the end of the period covered by this management's discussion and analysis, the ICFR provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. To design its ICFR, the Company used the *Internal Control – Integrated Framework* (COSO Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission. There are no material weaknesses in the Company's ICFR.

During the six months ended May 31, 2013, there were no changes to the Company's ICFR that materially affected, or are reasonably likely to materially affect, the Company's ICFR.

ADDITIONAL INFORMATION

Additional information related to the Company is available on SEDAR at www.sedar.com the Company's website at www.clinemining.com.