

CLINE MINING CORPORATION  
Metallurgical Coal Mine Developments  
British Columbia

TCS → Lodgepole  
→ Lossan

PROGRESS REPORT

MARCH 2005

Recent News

**THYSSENKRUPP**

Cline and ThyssenKrupp of, Germany agreed on February 23, 2005 to a business arrangement under which ThyssenKrupp will be the exclusive Marketing and Sales Agent of Cline for coal sales into Europe as well as to the ThyssenKrupp steel mills across the world. ThyssenKrupp will also become a significant new shareholder of Cline. ThyssenKrupp is a major German industrial group with existing steel mills, as well as new steel facilities under construction, in Europe, China and Brazil. The ThyssenKrupp Group had annual net sales of E39.3 billion (U.S.\$51.3 billion) in 2004. The Group business is carried on through its major business segments; Steel, Automotive, Elevator, Technologies and Services. The ThyssenKrupp Group joins the Mitsui Matsushima Co. Ltd. Group in Cline as significant industry shareholders of the Company. Mitsui Matsushima is an experienced Japanese coal mining company and Cline's strategic partner in coal mine developments. The participation of these two important industry participants in Cline and its ongoing developments will bring synergies and facilitate significant mining opportunities and developments.

**LODGEPOLE 43 101**

On February 28, 2005 Cline announced it had received the Canadian National Instrument 43 101 Report calculating the coal resources in the Lodgepole coal property. The NI 43 101 Report states that Lodgepole contains 82.5 million Inplace tonnes of low volatile coal surface mineable resource of immediate economic interest which were calculated at a cut off stripping ratio of 6 bank meters of waste per bank cubic meter of Inplace raw coal. The resource is comprised of a measured resource of 49.6 million tonnes, an indicated resource of 22.5 million tonnes, and an inferred resource of 10.4 million tonnes. This is a major coal resource and of exceptional economic importance to British Columbia and Canada. Lodgepole coal is metallurgical coal suitable for use in steelmaking and has both the important Pulverized Coal Injection (PCI) and coking coal grades.

**MANAGEMENT**

Ken Bates, President and CEO

Gordon Gormley, COO and Executive Vice President

Allan Taylor, Treasurer and CFO

**SHARE CAPITAL ( as of Dec 31, 2004)**

Shares Issued 47,143,925

Warrants 11,496,450

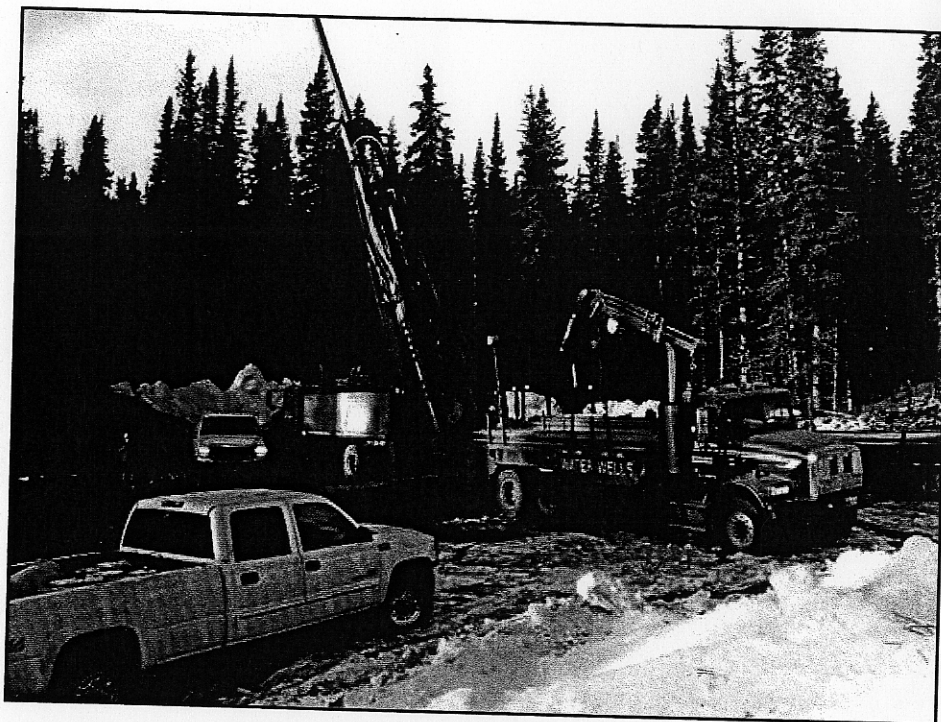
Options 2,380,000



## Coal Mine Projects Reported

1. The Lossan Coal Mine Project is located in the Northeastern Coalfield of British Columbia. Coal Resource identified 100 million tonnes. Coking coal and Pulverized Coal Injection (PCI) coal products. Close to CN Rail service to Ridley Terminal and Vancouver and the Pine Valley mine.

2. The Lodgepole Coal Mine Project is located in the Crows Nest Coalfield of Southeastern British Columbia. Coal Resource identified 80 million tonnes. Coking coal and PCI coal products. Proximate to CPRail service to Vancouver and the Teck-Fording Coal Mountain mine.



ANGLE DRILL HOLE AT LOSSAN PROJECT FEBRUARY 2005

## Coal Mine Development Plans

Lossan Mine: Bring the coal mine into production during the first quarter of 2006 at the 'fast track' government approved rate of 250,000 tonnes a year of PCI coal, increasing to 1,000,000 tonnes a year of PCI and coking coals. The Gulf Resources Lossan feasibility study at 3 million tonnes a year coal production is being reviewed and up dated to evaluate and time production increases.

Lodgepole Mine: Bring the coal mine into production during the fourth quarter 2006 at the 'fast track' rate of 250,000 tonnes a year of PCI coal, increasing to +2 million tonnes a year of PCI and coking coals.

Page 05

## Coal Mine Progress Reports

### **Lossan:**

Work on the ground commenced in mid January 2005. Operations are conducted from a 20 man trailer camp built to support the drill, adit and road construction crews. The work and results are proceeding well, meeting expectations and on schedule. The in ground cost of this first phase of the mine development is \$1.8 million.

Six of the planned 25 diamond drill holes have been completed, geophysically logged and sampled for analysis at a Vancouver based laboratory. Field review of the first adit site has been completed with the contractor for construction of the adit portals.

A supervising geologist from Norwest Corporation together with two technicians and a geologist from Mitsui Matsushima Co. Ltd. are on site to provide supervision and management.

A schedule and costing for completion of the feasibility study has been developed for Cline by Norwest Corporation. Rescan Environmental Services is providing the environmental input and has developed the schedule and plan to complete the environmental and permitting work to ensure the initial "fast track" production schedule at the government approved rate of 250,000 tonnes of coal a year, with first deliveries of coal to commence in the 1st quarter of 2006.

Cline management met last week with the senior environmental staff of the BC Ministry of Energy and Mines to coordinate and provide for the expeditious approvals for the fast track coal production plan at the rate of 250,000 tonnes of coal a year starting first quarter 2006. The B.C. Government is cooperating, supporting and assisting the development of the Lossan mine to achieve this production plan.

The current Lossan development work program will continue through the winter months and, after the usual operational pause for the spring break-up period in the Northeast, will be completed by June 15, 2005.

### **Lodgepole:**

Work on the ground commenced in late January 2005. The work on Lodgepole is proceeding well despite the unanticipated moderate winter and snow conditions in B.C.

The existing access road to the open pit mine area has been reopened and rebuilt as required and work has commenced on the construction of 6.8 kilometer of new access construction and drill sites. A drill rig will be mobilized and the first drill hole will be started this week. A geological model of the Lodgepole coal seams has now been completed by GR Tech of Calgary, Alberta for mine planning.

The Lodgepole mine development and first production schedule has been planned to lag the first Lossan mine production by about six months.

The approved program, which will be carried out at a cost of \$1.8 million, provides for 51 diamond drill holes, 600 meters of adits into coal, and 6.8 kilometers of road construction on the property. The program is designed to provide the information for the completion of feasibility and environmental assessment studies.

The adit program will obtain bulk samples from the two lower coal zones, which attain a total thickness of 21 meters on the property. The bulk samples will be processed in a pilot plant to affirm and assess the coal qualities in the seams and the best methods of processing the Lodgepole PCI and Hard Coking Coal products. Samples from the adits will be shipped to international steel mills for their assessment and determination of qualities in relation to marketing and pricing the two metallurgical coal products.

