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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-QSB**

(Mark One)

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period from **4-01-06** to **6-30-06**

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES ACT.**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number **000-31025**

**METALINE CONTACT MINES**

(Exact name of small business issuer as specified in its charter)

Washington

(State or jurisdiction of incorporation or organization)

91-0779945

(IRS Employer Identification No.)

8601 Prichard Creek Road, Murray ID 83874

(Address of principal executive offices)

920-987-5317

(Issuer's telephone number)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes   
 No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date:  
14,883,189

Transitional Small Business Disclosure Format (Check one): Yes  No

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[Table of Contents](#)**PART I — FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

The Company has prepared the unaudited financial statements presented below in accordance with accounting principles generally accepted in the United States for interim financial information, as well as the instructions to Form 10-QSB. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. It is the opinion of the Company's management that all adjustments considered necessary for the fair presentation of the interim financial statements have been included. Operating results for the three-month period ended June 30, 2006 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2006. For further information refer to the financial statements and footnotes thereto in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2005.

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**METALINE CONTACT MINES  
BALANCE SHEETS**

	June 30, 2006 (unaudited)	December 31, 2005
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 87,766	\$ 82,772
Prepaid expenses	—	2,000
Total Current Assets	<u>87,766</u>	<u>84,772</u>
<b>OTHER ASSETS</b>		
Related party receivable	100,000	109,413
Accrued interest — related party receivable	42,125	38,296
Investments	25,600	25,600
Website, net of amortization	417	583
Other assets	250	250
Mineral lease, net of depletion	<u>249,959</u>	<u>249,977</u>
Total Other Assets	<u>418,351</u>	<u>424,119</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 506,117</u></b>	<b><u>\$ 508,891</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Unearned royalty income	\$ 3,880	\$ 3,880
Total Current Liabilities	<u>3,880</u>	<u>3,880</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
	<u>—</u>	<u>—</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$0.05 par value; 20,000,000 shares authorized, 14,883,189 and 14,783,189 shares issued and outstanding, respectively	781,570	776,570
Additional paid-in capital	503,040	483,040
Stock options	47,907	47,907
Accumulated deficit	<u>(830,280)</u>	<u>(802,506)</u>
Total Stockholders' Equity	<u>502,237</u>	<u>505,011</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>\$ 506,117</u></b>	<b><u>\$ 508,891</u></b>

The accompanying condensed notes are an integral part of these financial statements.

[Table of Contents](#)**METALINE CONTACT MINES  
STATEMENTS OF OPERATIONS**

	Three Months Ended		Six Months Ended	
	June 30, 2006 (unaudited)	June 30, 2005 (unaudited)	June 30, 2006 (unaudited)	June 30, 2005 (unaudited)
<b>REVENUES</b>				
Royalty income	\$ 9,069	\$ 5,204	\$ 17,238	\$ 50,084
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Administrative expenses	39,734	12,403	50,196	36,343
<b>TOTAL EXPENSES</b>	<u>39,734</u>	<u>12,403</u>	<u>50,196</u>	<u>36,343</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(30,665)</u>	<u>(7,199)</u>	<u>(32,958)</u>	<u>13,741</u>
<b>OTHER INCOME (EXPENSE)</b>				
Dividend income	755	427	1,354	734
Interest income	1,915	1,914	3,830	3,829
<b>TOTAL OTHER INCOME</b>	<u>2,670</u>	<u>2,341</u>	<u>5,184</u>	<u>4,563</u>
<b>INCOME (LOSS) BEFORE TAXES</b>	(27,995)	(4,858)	(27,774)	18,304
<b>INCOME TAX EXPENSE</b>	—	—	—	—
<b>NET INCOME (LOSS)</b>	<u>\$ (27,995)</u>	<u>\$ (4,858)</u>	<u>\$ (27,774)</u>	<u>\$ 18,304</u>
NET INCOME PER COMMON SHARE, BASIC AND DILUTED	<u>\$ nil</u>	<u>\$ nil</u>	<u>\$ nil</u>	<u>\$ nil</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC	<u>14,816,522</u>	<u>13,783,189</u>	<u>14,799,856</u>	<u>13,783,189</u>

The accompanying condensed notes are an integral part of these financial statements.

**Table of Contents****METALINE CONTACT MINES  
STATEMENTS OF CASH FLOWS**

	<u>Six Months Ended</u>	
	June 30, 2006 <u>(unaudited)</u>	June 30, 2005 <u>(unaudited)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$(27,774)	\$ 18,304
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Amortization and depletion expense	184	167
Royalty expense paid with NJMC stock	—	20,500
Royalty income received in NJMC stock	—	(41,000)
Stock issued for professional services	25,000	—
Changes in assets and liabilities:		
Increase in accrued interest receivable	(3,829)	(3,829)
Increase/(decrease) in prepaid expenses and other assets	2,000	(4,000)
Decrease in note receivable	<u>9,413</u>	<u>—</u>
Net cash (used) by operating activities	<u>4,994</u>	<u>(9,858)</u>
<b>CASH FLOWS USED BY INVESTING ACTIVITIES:</b>	<u>—</u>	<u>—</u>
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:</b>	<u>—</u>	<u>—</u>
Net decrease in cash and cash equivalents	4,994	(9,858)
<b>Cash at beginning of period</b>	<u>82,772</u>	<u>90,652</u>
<b>Cash at end of period</b>	<u>\$ 87,766</u>	<u>\$ 80,794</u>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES:</b>		
Income taxes paid	\$ —	\$ —
Interest paid	\$ —	\$ —
<b>NON-CASH TRANSACTIONS:</b>		
Royalty expense paid with NJMC stock	\$ —	\$ 20,500
Royalty income received in NJMC stock	\$ —	\$ 41,000
Stock issued for professional services	\$ 25,000	\$ —

The accompanying condensed notes are an integral part of these financial statements.

[Table of Contents](#)**METALINE CONTACT MINES  
CONDENSED NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006****NOTE 1 — ORGANIZATION AND DESCRIPTION OF BUSINESS**

Metaline Contact Mines (hereinafter “Metaline” or “the Company”) was incorporated in November of 1928 under the laws of the State of Washington for the purpose of engaging in mining and the buying and selling of ores, metals, and minerals.

The Company was reorganized and recapitalized in 1960 and its articles of incorporation were amended to expand its business purposes to include various additional business activities. Metaline has continued its operations since its formation and has historically acquired land, mineral rights, patented lode mining claims, and timber in the Pacific Northwest.

Pursuant to a planned reorganization, in the 4th quarter of 1996, Metaline transferred substantially all of its assets to a limited liability company. (See Note 5 – Related Party Transactions below).

The Company’s fiscal year-end is December 31.

**NOTE 2 — BASIS OF PRESENTATION**

The foregoing unaudited interim financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Regulation S-B as promulgated by the Securities and Exchange Commission (“SEC”). Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles in the United States of America for complete financial statements. These unaudited interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2005. In the opinion of management, the unaudited interim financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim period presented.

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of the Company’s financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions and could have a material effect on the reported amounts of the Company’s financial position and results of operations.

Operating results for the six-month period ended June 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006.



[Table of Contents](#)**METALINE CONTACT MINES  
CONDENSED NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006****NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the Company is presented to assist in understanding its financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States and have been consistently applied in the preparation of the financial statements.

Accounting Method

The Company's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basic and Diluted Net Loss Per Share

Net loss per share was computed by dividing the net loss by the weighted average number of shares outstanding during the period. The weighted average number of shares was calculated by taking the number of shares outstanding and weighting them by the amount of time they were outstanding. Outstanding options have been excluded from the calculation of diluted loss per share as they would be antidilutive; accordingly, basic and diluted loss per share are the same.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all short-term debt with original maturities of three months or less to be cash equivalents.

Concentration of Risk

The Company maintains its cash in primarily one money market account, the funds which are not insured by the Federal Deposit Insurance Corporation. The balance in that account was \$70,967 and \$80,648 at June 30, 2006 and June 30, 2005, respectively. The Company's revenue sources include royalty income received under mineral property leases with Teck Cominco American Incorporated and New Jersey Mining Company.

Derivative Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 (hereinafter "SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of Effective Date of FASB No. 133" and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", the last of which is effective June 30, 2003. These statements establish and clarify accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

If certain conditions are met, a derivative may be specifically designed as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a

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### **METALINE CONTACT MINES CONDENSED NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2006**

derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

Historically, the Company has not entered into derivatives contracts to hedge existing risks or for speculative purposes.

During the period June 30, 2006 and 2005, the Company has not engaged in any transactions that would be considered derivative instruments or hedging activities.

#### Fair Value of Financial Instruments

The carrying amounts for cash, receivables, investments, accounts payable, and accrued liabilities approximate their fair value. All instruments are accounted for on an historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at June 30, 2006.

#### Investments

The Company has one investment. The Company accounts for its investment in New Jersey Mining Company using the cost method of accounting. See Note 4.

#### Recent Accounting Pronouncements

In March 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 156, "Accounting for Servicing of Financial Assets—an amendment of FASB Statement No. 140." This statement requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in any of the following situations: a transfer of the servicer's financial assets that meets the requirements for sale accounting; a transfer of the servicer's financial assets to a qualifying special-purpose entity in a guaranteed mortgage securitization in which the transferor retains all of the resulting securities and classifies them as either available-for-sale securities or trading securities; or an acquisition or assumption of an obligation to service a financial asset that does not relate to financial assets of the servicer or its consolidated affiliates. The statement also requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable and permits an entity to choose either the amortization or fair value method for subsequent measurement of each class of servicing assets and liabilities. The statement further permits, at its initial adoption, a one-time reclassification of available for sale securities to trading securities by entities with recognized servicing rights, without calling into question the treatment of other available for sale securities under Statement 115, provided that the available for sale securities are identified in some manner as offsetting the entity's exposure to changes in fair value of servicing assets or servicing liabilities that a servicer elects to subsequently measure at fair value and requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities. This statement is effective for fiscal years beginning after September 15, 2006, with early adoption permitted as of the beginning of an entity's fiscal year. Management believes the adoption of this statement will have no impact on the Company's financial condition or results of operations.

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### **METALINE CONTACT MINES CONDENSED NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2006**

In February 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 155, "Accounting for Certain Hybrid Financial Instruments, an Amendment of FASB Standards No. 133 and 140" (hereinafter "SFAS No. 155"). This statement established the accounting for certain derivatives embedded in other instruments. It simplifies accounting for certain hybrid financial instruments by permitting fair value remeasurement for any hybrid instrument that contains an embedded derivative that otherwise would require bifurcation under SFAS No. 133 as well as eliminating a restriction on the passive derivative instruments that a qualifying special-purpose entity ("SPE") may hold under SFAS No. 140. This statement allows a public entity to irrevocably elect to initially and subsequently measure a hybrid instrument that would be required to be separated into a host contract and derivative in its entirety at fair value (with changes in fair value recognized in earnings) so long as that instrument is not designated as a hedging instrument pursuant to the statement. SFAS No. 140 previously prohibited a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This statement is effective for fiscal years beginning after September 15, 2006, with early adoption permitted as of the beginning of an entity's fiscal year. Management believes the adoption of this statement will have no impact on the Company's financial condition or results of operations.

#### Revenue Recognition

The Company recognizes revenue when the royalty income received is earned.

#### Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

### **NOTE 4 — MINERAL PROPERTIES**

#### Pend Oreille/Metaline Zinc Mines

The Company is receiving royalty payments related to a lease agreement with Teck Cominco American, Inc. (hereinafter "Teck Cominco"). Under the terms of the agreement, Teck Cominco has the right to explore, develop, and mine the Company's underground mineral rights in Pend Oreille County, Washington for a period of twenty years with an option renewal period of the same length. Teck Cominco is currently obligated to pay the Company \$3,880 per quarter, with ascending quarterly increments at each successive five year interval. The lease characterizes the aforementioned quarterly disbursements as "advance royalty payments" which may be fully offset against a three-percent production royalty retained by the Company. The lease agreement gives Teck Cominco the option to purchase 200 surface acres of the leased property for fair market value during the lease term. From the inception of the lease through June 30, 2006, the Company has received \$128,899 in payments from Teck Cominco.

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006**Golden Chest Mine

In January 2004, the Company issued 466,954 shares of its common stock to Paymaster Resources Incorporated (hereinafter "Paymaster"), a related party (due to common officers and directors), in order to acquire Paymaster's interest in the Golden Chest Mine minerals lease to patented mining claims in Shoshone County, Idaho. In this transaction, the Company also acquired Paymaster's interest in an exploration agreement with New Jersey Mining Company, which relates to the aforementioned mining claims. On July 22, 2005, the Company issued an additional 1,000,000 shares of its authorized, but unissued, common stock to Paymaster pursuant to the Company's agreement to acquire the lease on the Golden Chest Mine from Paymaster in the event

For the period ended June 30, 2006, the Company received production royalties from New Jersey Mining Company of \$5,189 from ore mined from the Golden Chest Mine. The terms of the lease require the owner of the real property (mine) to receive one-half of the royalty payments in the form of rent. Accordingly, during the quarter ended June 30, 2006, \$2,594 was recorded as royalty expense.

**NOTE 5 — RELATED PARTY TRANSACTIONS**

In March 2002, the Company advanced \$18,000 on a short-term, non-interest bearing, unsecured basis to Murrayville Land Company LLC, an affiliated company, to facilitate a real estate purchase. This receivable was repaid in May 2003.

During 1998, Metaline Contact Mines, LLC ("The LLC") sold property for a net gain of \$5,958,762. Metaline's share of this gain, before adjustments of the Company's investment from The LLC's operating results and write down from its substantial decrease in ownership of The LLC, was \$507,858. The Company recorded a related party receivable of \$109,413 for the balance of the distribution. Due to uncertainty as to the date this receivable will be collected, this asset together with accrued interest at the rate of 7 percent per annum is recorded as a non-current asset.

Over the years, Metaline has executed agreements with Nor-Pac Limited Company (hereinafter "Nor-Pac"), an affiliated company. With the Company's consent, in November of 2004 The LLC assigned its rights, title and interest in the Company's aforementioned related party receivable of \$109,413 and accrued interest to Nor-Pac. On June 27, 2006, Nor-Pac made a \$9,413 payment towards the principal amount, thereby reducing the receivable to \$100,000.

**NOTE 6 — INCOME TAXES**

At June 30, 2006, the Company had a net deferred tax asset of approximately \$100,500, principally arising from net operating loss carryforwards for income tax purposes, which was calculated using a 15% tax rate. This resulted in a decrease to the net deferred tax asset of approximately \$4,500 for the six months ended June 30, 2006. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the

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**METALINE CONTACT MINES  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 31, 2006**

net deferred tax asset, a valuation allowance equal to the net deferred tax asset has been established.

At June 30, 2006, the Company has a net operating loss carryforward of approximately \$670,000, which will fully expire in the year 2026.

**NOTE 7 — STOCK OPTIONS**

The Company did not engage in stock option activity during the second quarter of 2006. Summarized information about stock options outstanding and exercisable at June 30, 2006 is as follows:

Options Outstanding			Options Exercisable		
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 0.06	500,000	3.37	\$ 0.06	500,000	\$ 0.06
0.125	1,000,000	3.37	0.125	1,000,000	0.125
0.15	250,000	3.37	0.15	250,000	0.15
<u>\$ 0.06-0.15</u>	<u>1,750,000</u>	<u>3.37</u>	<u>\$ 0.11</u>	<u>1,750,000</u>	<u>\$ 0.11</u>

**NOTE 8 — COMMON STOCK**

During the period ended June 30, 2006, the Company issued 100,000 shares of its authorized, but unissued, common stock to Lurtz's Ventures, a Minnesota sole proprietorship, for certain promotional and investor-relations services. The Company valued the shares at \$25,000, and expensed that amount accordingly as promotion/investor relations expenses.

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### **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

#### GENERAL

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide information to assist you in better understanding and evaluating the Company's financial condition and results of operations. The Company recommends that you read this MD&A in conjunction with its Financial Statements included in Item 1 of this Quarterly Report on Form 10-QSB.

#### OVERVIEW

Metaline Contact Mines (hereinafter "Metaline", "Company", "we", "us", or "our") is engaged in the business of acquiring and managing precious and base metals royalties. Royalties are passive (non-operating) interests in mining projects that provide the right to receive revenue from such projects after deducting specified costs, if any. Substantially all of our revenues are and will be derived from royalty interests. We do not conduct mining operations at this time. During the quarter ended June 30, 2006, we focused on managing our existing royalty interests, Securities and Exchange Commission ("SEC") reporting requirements, and promotion and investor-relations activities.

#### RESULTS OF OPERATIONS

For the quarter ended June 30, 2006, we had gross revenues from operations of \$9,069, compared to \$5,204 for the quarter ended June 30, 2005, from our two mining projects, the Golden Chest Mine and the Pend Oreille/Metaline Zinc Mines, broken down as follows:

##### Golden Chest Mine

We received \$5,189 in revenues from operations at our Golden Chest Mine during the second quarter of 2006, compared to \$1,324 in 2005. However, our revenues in the second quarter of 2005 were derived from development ore mined during the Katie-Dora exploration ramp project in 2004, not commercial mining operations. The Golden Chest Mine did not officially commence commercial production until the third quarter of 2005. It is noteworthy that during the second quarter of 2006, our NSR royalty percentage from gold production ranged between 5% and 6%. 6% represents the maximum NSR royalty under our lease agreement with New Jersey Mining, and is due to the appreciating price levels for gold.

##### Pend Oreille/Metaline Zinc Mines

We received \$3,880 in advanced royalties from Teck Cominco American Incorporated ("Teck Cominco") for the second quarter of 2006, the same amount we received during the same period in 2005.

##### Operating Loss

We had overall operating loss of \$30,665 for the quarter ended June 30, 2006, versus \$7,191 for the quarter ended June 30, 2005.

In the second quarter of 2006, our overall General and Administrative expenses increased by \$27,331, to \$39,734 from \$12,403 in 2005. These expenses are broken down as follows: an increase of \$1,932 in royalty expense; a \$500 increase in consulting fees; a \$339 increase in professional fees; a \$456 increase in financial printing expenses pursuant to our SEC filing requirements; and a \$24,050 increase in promotion and investor relations expenses.

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The increase in royalty expense was a result of our Golden Chest Mine being in commercial production in the second quarter of 2006, versus only being in a development stage during the second quarter of 2005.

The increase in professional fees of \$339 is a result of the billing cycle of our independent auditing firm. The increase of \$500 in consulting fees was due to our consulting mining engineering firm collecting and evaluating exploration data generated by Teck Cominco on our Pend Oreille/Metaline Zinc Mines mineral holdings. And the increase of \$456 in financial printing expenses was due to an increase by our Edgarizing firm. The increase of \$24,050 in promotion and investor relation expenses is a result of our entering into the Agreement with Lurtz's Ventures mentioned in Part II, Item 2 below.

We recorded a depletion expense of \$9 for the quarter ended June 30, 2006, versus none during the same period in 2005.

### Other Income

During the quarter ended June 30, 2006, our other income increased to \$2,670, from \$2,341 in 2005, due to an increase in dividend income of \$329.

### Loss Before Taxes

We had a net loss, before taxes, of \$27,995 in the quarter ended June 30, 2006, compared to a net loss of \$4,858 for the quarter ended June 30, 2005.

## LIQUIDITY AND CAPITAL RESOURCES

We have traditionally funded our capital requirements from royalty revenues from operations, dividends earned on our cash accounts, and other income. As of June 30, 2006, our cash position was \$87,766, compared to \$80,794 on June 30, 2005. We have no debt, and do not expect to incur any debt in the immediate future. Professional fees and expenses related to our SEC reporting requirements, general and administration expenses and investor-relations are our most significant capital requirements.

Provided we maintain our current level of cash-generating revenues, and with our current cash reserves, we will be able to satisfy our anticipated cash expenditure requirements for some time, perhaps 5-years, without the infusion of additional capital. Our sources of additional capital include:

- (a) Collection of Receivables . We have a related party receivable from Nor-Pac Limited Company ("Nor-Pac") of \$100,000, with accrued interest of \$42,125, as of June 30, 2006. Nor-Pac owns approximately 81% of our outstanding shares, and has related directors. Accordingly, we believe we have the ability to collect this receivable in the event of a shortfall of cash.
- (b) Increase Royalty Revenues . Increasing royalty revenues from our current mining projects is under the sole control of third parties; namely, Teck Cominco and New Jersey Mining Company. It is noteworthy that our royalty revenues increased by 74% during the second quarter of 2006 compared to the same period in 2005.

Other factors that could impact increased royalty revenues include: changes in precious and base metals prices; unanticipated grade, geological, metallurgical, processing or other problems at our mining projects; changes in project parameters as plans of the operators are refined; and other economic and market conditions.

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- (c) Sale of Company's Common Stock. There are no assurances that we would be able to sell shares of our authorized, but unissued, common stock on acceptable terms. Additionally, any such sales of shares could be dilutive to our shareholders.
- (d) Sale of Certain Assets. We own 60,000 shares of New Jersey common stock (hereinafter the "NJMC Shares") with a recorded value of \$25,600. 5,000 of the NJMC Shares are free-trading, and 55,000 of the NJMC Shares are eligible to be sold pursuant to Rule 144 of the Securities Act of 1933, as amended.

### ITEM 3. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

The Securities and Exchange Commission (the "SEC") defines the term "disclosure controls and procedures" to mean a company's controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. The definition further states that disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer, based on their evaluation of the Company's disclosure controls and procedures at June 30, 2006, have concluded that the Company's disclosure controls and procedures were effective for this purpose.

#### Changes in Internal Controls

There was no change in the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, its internal controls over financial reporting during the quarter ended June 30, 2006.

For further information refer to the Controls and Procedures section in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2005, incorporated herein by reference.

## PART II — OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

The Company is not a party to any legal proceedings, and management is not aware of any threatened litigation, claims or assessments.

### ITEM 2. CHANGES IN SECURITIES

Effective April 1, 2006, the Company entered into an Agreement with Lurtz's Ventures (hereinafter "LV"), a Minnesota sole proprietorship, whereby LV will provide the Company with certain promotion and investors relations services from time-to-time. The Company paid LV 100,000 shares of its authorized, but unissued, common stock, valued at \$25,000. The Company relied on an exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended, in issuing said stock.



**Table of Contents****ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS**

None.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

- (a) Exhibit 31.1 – Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  
Exhibit 31.2 – Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  
Exhibit 32.1 – Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  
Exhibit 32.2 – Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- (b) There were no reports filed on Form 8-K during the quarter ended June 30, 2006.

[Table of Contents](#)**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATED this the 7th day of August, 2006

METALINE CONTACT MINES

By: /s/ John W. Beasley  
John W. Beasley  
Secretary/Treasurer/CFO

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**EXHIBIT 31.1****CERTIFICATION PURSUANT TO****SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard L. Howell, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Metaline Contact Mines
2. Based on my knowledge, the report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer, the periods presented in this report.
4. The small business issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
  - (i) Designed such disclosure controls and procedures to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made to us by others within those entities, particularly during the period in which this annual report is being prepared.
  - (ii) Nor required.
  - (iii) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations; and
  - (iv) Disclosed in this report any changes in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation, to the small business issuer's auditors and the audit committee of the small business issuer's Board of Directors (or persons performing the equivalent functions):
  - (i) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
  - (ii) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

*Date: August 7, 2006*

*/s/ Richard L. Howell*

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*Richard L. Howell, Chief Executive Officer*

**EXHIBIT 31.2****CERTIFICATION PURSUANT TO****SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John W. Beasley, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Metaline Contact Mines
2. Based on my knowledge, the report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer, the periods presented in this report.
4. The small business issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
  - (i) Designed such disclosure controls and procedures to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made to us by others within those entities, particularly during the period in which this annual report is being prepared.
  - (ii) Nor required.
  - (iv) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations; and
  - (iv) Disclosed in this report any changes in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation, to the small business issuer's auditors and the audit committee of the small business issuer's Board of Directors (or persons performing the equivalent functions):
  - (i) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
  - (ii) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

*Date: August 7, 2006*

*/s/ John W. Beasley*

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*John W. Beasley, Chief Financial Officer*

**EXHIBIT 32.1****CERTIFICATION PURSUANT TO  
18 U.S.C. OF SECTION 1350,  
AS ADOPTED PURSUANT TO****SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Metaline Contact Mines (the "Company") on Form 10-QSB for the period ending June 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard L. Howell, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*Dated: August 7, 2006*

*By: /s/ Richard L. Howell*

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*Richard L. Howell*

*President & Chief Executive Officer*

**EXHIBIT 32.2****CERTIFICATION PURSUANT TO  
18 U.S.C. OF SECTION 1350,  
AS ADOPTED PURSUANT TO****SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Metaline Contact Mines (the "Company") on Form 10-QSB for the period ending June 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John W. Beasley, Secretary, Treasurer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*Date: August 7, 2006*

*By: /s/ John W. Beasley*

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*John W. Beasley*  
*Secretary, Treasurer & Chief Financial Officer*