METALINE CONTACT MINES

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 for the period ended June 30, 2008.

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, 2008, we primarily focused on marketing our interests in the Pend Oreille/Metaline Zinc Mines.

RESULTS OF OPERATIONS

For the quarter ended June 30, 2008, our gross royalty revenues from operations were $5,335, compared to $9,000 for the quarter ended June 30, 2007, 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 no royalties from operations at our Golden Chest Mine during the second quarter of 2008, compared to $5,120 in 2007. The decrease in royalties was due to the temporary suspension of production by the mine's lessee/operator, New Jersey Mining Company ("New Jersey"), while they drive a new development ramp to the Idaho Vein's ore reserves.

The cost of royalties for the second quarter of 2008 was $9 versus $2,558 for the same period in 2007. The decrease of $2,549 was due to the suspension of mining operations mentioned above. We record our royalty obligations under our lease agreement with the underlying property owner as a cost of revenues.

Pend Oreille/Metaline Zinc Mines

We received $5,335 in advanced royalties from Teck Cominco American Incorporated ("Teck Cominco") for the second quarter of 2007 versus $3,880 during the same period in 2007. The increase of $1,455 was due to an increase in advanced royalties under the terms of its lease agreement with Teck Cominco.

The cost of royalties for the second quarter of 2008 was $4,830, versus $2,869 for the same period in 2007. The increase in cost of royalties of $1,961 was due to an increase in fees paid to our consulting geologist for services in evaluating the exploration data and other information provided by Teck Cominco. We record such fees as a cost of revenues.

Operating Loss

We had overall operating loss of $5,855 in the second quarter of 2008, versus an operating profit of $806 during the same period in 2007.

During the second quarter of 2008, our general and administrative expenses increased by $3,585, to $6,353 from $2,768 in 2007, due predominately to marketing costs for our Pend Oreille/Metaline Zinc Mines holdings of $3,324. Our proportionate share of office overhead has remained relatively consistent between the second quarters of 2008 and 2007.

Other Income

During the quarter ended June 30, 2008, our other income decreased to $2,049, from $2,634 in 2007, due to a decrease in dividend income of $585.

Loss Before Taxes

We had a net loss, before taxes, of $3,806 in the quarter ended June 30, 2008, compared to a net profit of $3,440 for the quarter ended June 30, 2007.

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, 2008, our cash and cash equivalent position was $68,394, compared to $82,804 on June 30, 2007. We have no debt, and do not expect to incur any debt in the immediate future. General and administration expenses are our most significant capital requirements.

Provided we continue our current level of operating revenues, we are able to satisfy our anticipated cash expenditure requirements for some time, perhaps 3-years, without the need 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 $56,125, as of June 30, 2008. 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. As a royalty-based company, increasing our royalty revenues from our current mining projects are under the control of our lessees, Teck Cominco and New Jersey. Factors that could influence increased royalty revenues include: changes in precious and base metals prices; unanticipated grade, geological, metallurgical, processing or other problems; changes in project parameters as plans of the operators are refined; and other economic and market conditions.

(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 $25,689, which NJMC Shares are free-trading. The current market value of the NJMC shares is approximately $24,000.

We are also marketing our Pend Oreille/Metaline Zinc Mines interests to prospective buyers. There are no assurances, however, that these interests can or will be sold on acceptable terms.