

METALINE CONTACT MINES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE PERIOD ENDED JUNE 30, 2009

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, 2009.

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, 2009, we focused primarily on gathering and evaluating exploration data from our Lessee, New Jersey Mining Company.⁹ "New Jersey"), relating to our Golden Chest Mine.

RESULTS OF OPERATIONS

For the second quarter ended June 30, 2009, our gross royalty revenues from operations were \$7,819, compared to \$5,335 for second the quarter ended June 30, 2008, 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 \$2,484 in royalties from operations at our Golden Chest Mine during the second quarter ended June 30, 2009, compared to nil in 2008. The increase in royalties of \$2,484 was due to the production operations on the Claggett Vein, which was encountered by New Jersey during their Idaho Ramp development project.

The cost of royalties for the first quarter of 2009 was \$1,242, compared to \$9 in 2008. The increase of \$1,233 was due to the 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 American Incorporated ("Teck American") for the second quarter ended June 30, 2009, the same as in 2008.

There was no cost of royalties for the second quarter ended June 30, 2009, versus \$4,830 for the same period in 2008. The decrease in cost of royalties of \$4,830 was due to our no longer requiring the services of our consulting geologist in collecting and evaluating the exploration data and other information provided by Teck American. We record such fees as a cost of revenues.

Operating Loss

We had an overall operating loss of \$2,629 in the quarter ended June 30, 2009, compared to an operating loss of \$5,855 in 2008.

During the second quarter of 2009, our general and administrative expenses increased by \$2,854, to \$9,206 from \$6,352. This increase was predominately due to \$7,800 in selling expenses incurred while we attempted to sell our royalty interests in the Golden Chest Mine

Other Income

During the second quarter ended June 30, 2009, our other income decreased to \$1,752, from \$2,049 in 2008, due to a decrease in dividend income from our money market account of \$297.

Loss Before Taxes

We had a net loss, before taxes, of \$877 in the second quarter ended June 30, 2009, compared to a net loss of \$3,806 in 2008, for the reasons discussed above.

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, 2009, our cash and cash equivalent position was \$72,255, compared to \$68,394 on June 30, 2008. We have no debt, and do not expect to incur any debt in the near future. General and administration expenses continue to be our most significant capital requirements.

Provided we are able to maintain our current level of operating revenues, we expect to be able to satisfy our anticipated cash expenditure requirements for the foreseeable future without the need of additional capital. If, however, our revenues should decrease considerably, depending on the circumstances thereof, we could require additional capital within 2-years. 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 \$63,125, as of June 30, 2009. Nor-Pac owns approximately 81% of our outstanding shares, and has related management. 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 is under the control of our lessees, Teck American and New Jersey. Factors that could influence our 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.

Base metals prices, including zinc and lead, became significantly depressed in 2008, due in large part to the state of the global economy. Teck American has suspended commercial production at their nearby Pend Oreille Mine, and placing it on "care and maintenance" until the markets improve. Teck American continues to maintain our lease in good standing, including the payment of advanced royalties. However, any increase in revenues from our Pend Oreille/Metaline Zinc Mines project is not a viable option at this time.

New Jersey Mining Company has also temporarily suspended production of gold ores from our Golden Chest Mine pending their ability to finance continued development of and access to proven and probably ore reserves on the Idaho Vein.

- (c) Sale of Company's Common Stock. In today's economic climate, there are no assurances that we would be able to sell shares of our authorized, but unissued, common stock on acceptable terms. Such stock offerings are costly, can be legally restrictive, and dilutive to our shareholders.

- (d) Sale of Certain Assets. We own 60,000 shares of free-trading common stock in New Jersey Mining Company with a recorded value of \$25,689. The current market value of these shares is approximately \$15,000.

During the second quarter of 2009, we attempted to sell our royalty interests in the Golden Chest Mine prospective buyers. We received no acceptable offers, and there are no assurances that these interests can or will be sold on acceptable terms in the future.