METALINE CONTACT MINES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE QUARTER ENDED JUNE 30, 2012

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 quarter ended June 30, 2012.

OVERVIEW

Metaline Contact Mines (hereinafter "Metaline", "Company", "we", "us", or "our") is engaged in the business of acquiring, owning 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. Our revenues are and will be derived from royalty interests, and sale proceeds from the Golden Chest Mine. We do not conduct mining operations at this time. During the quarter ended March 31, 2012, we focused primarily on managing our royalty interests.

RESULTS OF OPERATIONS

For the quarter ended June 30, 2012, our gross royalty revenues from operations were $5,335, the same as in 2011, from the Pend Oreille/Metaline Zinc Mines.

Golden Chest Mine

We no longer receive royalties from operations at the Golden Chest Mine. The termination of royalties was due to the sale of our interests in the mine on December 15, 2010 to Golden Chest LLC, a joint-venture between New Jersey Mining Company and Marathon Gold USA Corporation, the United States subsidiary of Canadian-based Marathon Gold Corporation. Under the terms of the sale agreement, the company will receive a total of $1,240,000, in the following installments: $40,000 on December 15, 2010; $75,000 on December 15, 2011; $100,000 on December 15, 2012; $125,000 on December 15, 2013; $150,000 on December 15, 2014; $200,000 on December 15, 2015; $350,000 on December 15, 2016; and $200,000 on December 15, 2017. The Company will co-hold (along with the property owner) a first mortgage as collateral.

Pend Oreille/Metaline Zinc Mines

We received $5,335 in advanced royalties from Teck American Incorporated ("Teck American") for the quarter ended June 30, 2012, the same as in 2011.

There were no costs of royalties during the quarter ended March 31, 2012, or for the same period in 2011.

Operating Loss

We had an overall operating loss of $13,324 in the quarter ended June 30, 2012, compared to an operating gain of $3,943 in 2011.

During the quarter ended June 30, 2012, our general and administrative expenses increased by $17,267, to $18,659, from $1,392 in 2011. This increase was due to an increase in management fees of $16,146 associated with the declaration and issuance of a ½-cent dividend.

Other Income

During the quarter ended June 30, 2012, we earned $3,723 in other income, compared to $1,753 in 2011. The increase of $1,970 was due to a distribution received from our 6% equity membership interest in Metaline Contact Mines LLC. We also received a decrease of $550 in interest, to $1,200 in 2012 from $1750 in 2011, due to a $10,000 reduction on accounts receivable from Nor-Pac Limited Company.

Loss Before Taxes

We had a net loss before taxes of $9,601 for the quarter ended June 30, 2012, compared to a net gain of $5,696 in 2011, 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, 2012, our cash and cash equivalent position was $96,310, compared to $118,596 on June 30, 2011. 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 revenues and other income, 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 and other income decrease considerably, or our expenses increase dramatically, depending on the circumstances thereof, we could require additional capital within 12 - 18 months. Our sources of additional capital include:

(a) Collection of Receivables. We had a related party receivable from Nor-Pac Limited Company ("Nor-Pac") of $100,000, with accrued interest of $82,425, as of March 31, 2012. During the quarter ended June 30, 2012, Nor-Pac retired its debt to the Company in its entirety by: (i) paying us $10,000 in cash, and (ii returning 3,484,578 shares of our common stock that was owned by Nor-Pac.

(b) Increase Royalty Revenues. As a royalty-based company, increasing our royalty revenues from our current mining projects is under the control of our lessee, Teck American. 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.

Teck American has suspended commercial production at their nearby Pend Oreille Mine, and placed 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.

As mentioned above, we sold our interests in the Golden Chest Mine and will be receiving no future royalty payments from New Jersey. We will, however, be receiving annual installment payments from the sale thereof as mentioned above.

(c) Sale of Company's Common Stock. In today's economic climate for junior resource companies like us 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. However, with the payment by Nor-Pac mentioned in No. 1 above, we only have 11,458,611 shares outstanding, which may be looked at favorably by the investment community. We have no assurances, however, that that would be the case.

(d) Sale of Certain Assets. We own 32,500 shares of free-trading common stock in New Jersey Mining Company with a recorded value of $14,089. The current market value of these shares is approximately $7,800.

On December 15, 2010, we sold our leasehold interest in the Golden Chest Mine to Golden Chest LLC, a joint venture company owned by New Jersey Mining Company and the U.S. subsidiary of Canadian-based Marathon Gold Corporation. Under the terms of the sale, we will receive a total of $1,240,000, in installment payments through 2017. We received our second installment payment of $75,000 on December 15, 2011. We are due to receive our third installment payment of $100,000 on December 15, 2012.

LITIGATION

In December of 2009, the Company was named as a co-defendant in a lawsuit initiated by Stimson Lumber Company ("Stimson"). Stimson is the owner of certain real property, located in Pend Oreille County, Washington, a portion of which is a site that contains hazardous materials as defined by the U.S. Environmental Protection Agency. In its suit, Stimson alleges the Company, at one time, either owned and/or operated the site, and is demanding the Company to pay its proportionate share of clean-up costs. The Company contends that it has neither owned, nor operated, the site, and, in fact, has never had anything whatsoever to do with the site, and has retained legal counsel to respond to the Stimson allegations.

On March 25, 2011, the lawsuit by Stimson Lumber Company against us described above was dismissed.

DIVIDEND

In April, 2012, the Company paid a ½-cent per share dividend, which dividend totaled $74,716.