METALINE CONTACT MINES

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

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. 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 September 30, 2009, we focused primarily on managing our royalty interests.

RESULTS OF OPERATIONS

For the third quarter ended September 30, 2009, our gross royalty revenues from operations were $11,554, compared to $5,335 for third the quarter ended September 30, 2008, from our two mining projects, the Golden Chest Mine and the Pend Oreille/Metaline Zinc Mines, broken down as follows:

<u>Golden Chest Mine</u>

We received $6,219 in royalties from operations at our Golden Chest Mine during the third quarter ended September 30, 2009, compared to nil in 2008. The increase in royalties of $6,219 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 third quarter of 2009 was $3,109, compared to $18 in 2008. The increase of $3,091 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.

<u>Pend Oreille/Metaline Zinc Mines</u>

We received $5,335 in advanced royalties from Teck American Incorporated ("Teck American") for the third quarter ended September 30, 2009, the same as in 2008.

There were no costs of royalties during the third quarter ended September 30, 2009, versus $41 for the same period in 2008. The decrease in cost of royalties of $41 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 Gain

We had an overall operating gain of $4,111 in the quarter ended September 30, 2009, compared to an operating gain of $1,980 in 2008.

During the third quarter of 2009, our general and administrative expenses increased by $1,037, to $4,334 from $3,297. This increase was predominately due an increase in filing fees to the Pink OTC Market Inc. of $1,500 (due to a change in its billing practices), less a decrease of $469 in selling expenses incurred while we were attempting to sell our royalty interests in the Pend Oreille/Metaline Zinc Mines during the third quarter of 2008.

Other Income

During the third quarter ended September 30, 2009, we had a loss of $3,914 in other income, compared to a gain of $2,025 in 2008, due to a decrease in dividend income from our money market account of $273, and a loss of $5,666 in the sale of 27,500 shares of common stock in New Jersey Mining Company.

Gain Before Taxes

We had a net gain, before taxes, of $197 in the third quarter ended September 30, 2009, compared to a net gain of $4,005 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 September 30, 2009, our cash and cash equivalent position was $83,012, compared to $70,680 on September 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 $64,875, as of September 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 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.

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 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 $10,000.

With gold prices remaining strong, we are continuing with our efforts to sell our interests in the Golden Chest Mine. There are no assurances, however, that we will be successful in selling said interests.