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METALLINE MINING CO  
Form 10QSB  
September 14, 2004

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended July 31, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-27667

METALLINE MINING COMPANY  
(Exact name of registrant as specified in its charter)

Nevada 91-1766677  
(State or other jurisdiction (IRS Employer Identification No.)  
of incorporation)

1330 E. Margaret Ave.  
Coeur d'Alene, ID 83815  
(Address of principal executive offices)

Registrant's telephone number, including area code:  
(208) 665-2002

Securities registered pursuant to Section 12 (b) of the Act: None

Securities registered pursuant to Section 12 (g) of the Act:

Common Stock	The OTC-Bulletin Board
Title of each class	Name of each exchange on which registered.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period as the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

METALLINE MINING COMPANY QUARTERLY REPORT  
ON FORM 10-QSB FOR THE QUARTERLY PERIOD  
ENDED JULY 31, 2004

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(i)

## PART I - FINANCIAL INFORMATION

### ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS.

The reviewed consolidated financial statements of the Company, for the period covered by this report, are included elsewhere in this report, beginning at page F/S 1.

The reviewed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the interim financial information with the instructions to Form 10-QSB and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, all adjustments (consisting of only normal accruals) considered necessary for a fair presentation have been included. Operating results for the nine-month period ended July 31, 2004 are not necessarily indicative of the results that may be expected for the full year ending October 31, 2004.

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 October 31, 2003 incorporated by reference herein.

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

#### RESULTS OF OPERATIONS FOR THE PERIOD ENDED JULY 31, 2004.

Nine months ended July 31, 2004 compared to the nine months ended July 31, 2003:

During the nine months ended July 31, 2004, the Company realized other income of \$297,936 from the sale of zinc carbonate ore from the Company's San Salvadore mine, in accordance with a contract with Cameron Chemicals, Inc., Norfolk, Virginia. Costs associated

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with the Sale of the ore totaled \$170,048 for the nine-month period ended July 31, 2004. There were ore sales of \$287,846 in the nine-month period ended July 31, 2003. General and administrative expenses increased to \$2,882,519 for the nine-month period ended July 31, 2004 as compared to \$849,472 for the nine-month period ended July 31, 2003. The increase is primarily due to an increase in office and administrative expenses of \$128,518 and a \$1,696,391 increase in exploration expenditures. For the nine months ended July 31, 2004, the Company experienced a loss of \$2,723,947, or \$0.07 per share, compared to a loss of \$770,335, or \$0.16 per share, during the comparable period in the previous year.

### LIQUIDITY AND CAPITAL RESOURCES.

Metalline Mining Company (the "Company") is an exploration stage enterprise formed under the laws of the State of Nevada, on August 20, 1993, to engage in the business of mining. The Company has no operating history and is subject to all the risks inherent in a new business enterprise. The likelihood of success of the Company must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with a new business, and the competitive and regulatory environment in which the Company will operate.

>From inception until May 1996, the Company was essentially dormant having as its only asset unpatented mining claims located in the State of Montana ("Kadex Property"). Subsequently, the Company has dropped the Kadex Property claims. Since May 1996, the focus of the Company has been the Sierra Mojada Project located in Coahuila Mexico. The Company is currently involved in exploration and reserve definition of its Sierra Mojada Property.

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In order to maintain operations, the Company will have to raise additional capital through loans or through the sale of securities. If the Company is unable to raise additional capital, it may have to cease operations. The Company's plan of operation, subject to maintaining sufficient funds, calls for drilling and sampling of the red zinc manto to define an ore reserve and continued mining of zinc carbonate from the white zinc manto for delivery to Metalline's fertilizer client.

Due to the Company's lack of revenues, the Company's independent certified public accountants included a paragraph in the Company's 2003 financial statements relative to a going concern uncertainty. The Company financed its obligations during the 2002-2003 fiscal year by its sale of 956,000 shares at an average price of \$1.09 per share.

The Company's private placement of common shares was completed in the second quarter of 2004. The Company issued a total of 7,436,500 shares at \$1.00 per share in the nine months ended July 31, 2004, and realized \$6,879,850 after private placement costs of \$556,650.

The Company is engaged in the business of mining. The Company currently owns one mining property located in Mexico known as the Sierra Mojada Property. The Company conducts its operations in Mexico through its wholly owned subsidiary corporation, Minera Metalin S.A. de C.V. ("Minera Metalin").

The Sierra Mojada Property is comprised of eight concessions

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totaling 7,060 hectares (17,446 acres). The concessions were acquired by purchase agreements from the titled owners. The Company owns title to 100% of the concessions.

The Sierra Mojada Mining District is located in the west central part of the state of Coahuila, Mexico, near the Coahuila-Chihuahua state border some 200 kilometers south of the Big Bend of the Rio Grande River. The principal mining area extends for some 5 kilometers in an east-west direction along the base of the precipitous, 1,000 meter high, Sierra Mojada Range.

Vehicle access from Torreon is by 250 kilometers on paved road to Sierra Mojada. There is a well maintained, 1200 meter, gravel airstrip. The District has high voltage electric power and is served by a rail line, which was constructed from Escalon to the district in 1891 and later connected to Monclova.

The Sierra Mojada Property has produced in excess of 10 million tons of high-grade ore that graded in excess of 30% lead, 20% zinc, 1% copper and 1 kg (31 ounces) silver per ton that was shipped directly to the smelter. The district has never had a mill to concentrate ore. All of the mining was done selectively for ore of sufficient grade to direct ship; mill grade ore was left unmined. More than 50 kilometers of underground workings are spread through the 5 kilometer by 2 kilometer area from which more than 45 mines have produced ore. The deepest workings have ore grade mineralization and provide some of the best targets for reserve development. In spite of the amount of historic work, when a map of all of the historic workings is viewed there is much more unexplored area in the 5 by 2 kilometer area than has been explored and the vertical extent greater than 100 meters is totally unexplored.

The sediments are predominantly carbonate with some sandstone and shale and the attitudes are near horizontal. The mines are dry and the rocks are competent, the ore thickness and attitude are amenable to high volume mechanized mining methods and low cost production.

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Based upon the foregoing, the Company is of the opinion that the magnitude of the Sierra Mojada mineral system has exploration potential for continued development of future reserves. However, there is no assurance as to the quantity or quality of the undeveloped reserves and there is no assurance that the Company will have the monetary resources to continue to explore for, develop, or retrieve any of the minerals located in the Sierra Mojada Property.

On the 15th of November, 2001 Metalline Mining Company and its Mexican Subsidiary Minera Metalin, S.A. de C.V. signed an Agreement with Minas Penoles, S.A. de C.V. and Compania Minera La Parrena, S.A. de C.V. The Agreement allows Minas Penoles to earn a 60% interest in the Sierra Mojada project by exploring and completing a feasibility study over an "Earn in Period" of not more than 5 years. Penoles and Metalline, by mutual agreement of the parties, have terminated that agreement as of November 15, 2003.

Since November 15, 2003 Metalline has been the operator of the project and is currently conducting a reserve definition-drilling program at Sierra Mojada. The drill program has been in progress since January and presently has 4 underground diamond drills

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operating. Metalline's objectives are to complete the definition of a 2 million tons reserve containing zinc metal. Based on the reserve a feasibility study will be completed for a mine and a zinc solvent extraction electrowinning plant at Sierra Mojada.

The reserve definition work consists of diamond drilling, percussion drilling and channel sampling. At quarter end, 110 diamond drill holes and in excess of 8,000 channel samples and percussion drill holes have been completed.

Reserva International, a company that specializes in ore reserve evaluation, has been retained to conduct a block model evaluation of the Sierra Mojada data with the objective of determining the size and grade of the deposit. The block model evaluation will be periodically updated as additional results are received until the required reserve is achieved.

Green Team International (GTI), Johannesburg, S. Africa has been retained to start feasibility study work, consisting of metallurgical studies of the Sierra Mojada mineralization. GTI is the firm that conducted the feasibility studies on the Skorpion Mine for Reunion Ltd. and Anglo American. The Skorpion Mine is the first mine in the world using the solvent extraction electrowinning process for extracting SHG grade zinc from Oxide zinc ore.

### EFFECT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS.

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No.150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" (hereinafter "SFAS No.150"). SFAS No.150 establishes standards for classifying and measuring certain financial instruments with characteristics of both liabilities and equity and requires that those instruments be classified as liabilities in statements of financial position. Previously, many of those instruments were classified as equity. SFAS No.150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period after June 15, 2003. The Company has determined that there was no impact from the adoption of this statement.

In April 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (hereinafter "SFAS No.149"). SFAS No.149 amends and clarifies the accounting of derivative instruments,

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including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities". This statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of SFAS No.149 is not expected to have a material impact on the financial position or results of operations of the Company.

In December 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No.148, "Accounting for Stock-Based Compensation - Transition and Disclosure" (hereinafter "SFAS No.148"). SFAS 148 amends SFAS 123,

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"Accounting for Stock-Based Compensation, " to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, the statement amends the disclosure requirements of SFAS 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of the statement are effective for financial statements for fiscal years ending after December 15, 2002. As the Company accounts for stock-based compensation using the fair value method, the adoption of SFAS 148 has no material impact on the Company's financial condition or results of operations.

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No.146, "Accounting for Costs Associated with Exit or Disposal Activities" (hereinafter "SFAS No.146"). SFAS No.146 addresses significant issues regarding the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities. SFAS No.146 also addresses recognition of certain costs related to terminating a contract that is not a capital lease, costs to consolidate facilities or relocate employees, and termination benefits provided to employees that are involuntarily terminated under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred-compensation contract. SFAS No.146 was issued in June 2002, effective December 31, 2002. The Company's financial position and results of operations have not been affected by adopting SFAS No.146.

In April 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No.4, 44, and 64, Amendment of FASB Statement No.13, and Technical Corrections" (hereinafter "SFAS No.145") which updates, clarifies, and simplifies existing accounting pronouncements. FASB No.4, which required all gains and losses from the extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related tax effect was rescinded. As a result, FASB No. 64, which amended FASB No.4, was rescinded as it was no longer necessary. SFAS No.14 amended FASB No.13 to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. Management's adoption of this statement has not affected the financial position or results of operations at October 31, 2003.

### CASH FLOWS FOR THE NINE MONTHS ENDED JULY 31, 2004 WERE AS FOLLOWS:

During the nine-month period ended July 31, 2004, the Company's cash position increased to \$4,916,443, primarily due to the sale of the Company's common stock. During the nine-month period, the Company used \$2,437,779 in operating activities. In addition, the Company realized \$6,879,850 from the sale of Company stock and financed \$296,997 for the purchase of equipment.

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On June 21, 2002, the Company authorized the purchase of property and equipment from the Mineros Nortenos Cooperativa, located at the Company's Sierra Mojada Project at La Esmeralda, Coahuila, Mexico. Total purchase price, after conversion to U.S. Dollars,

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amounted to \$272,616. The final payment of \$38,610 due under the contract was paid June 2003.

### PART II - OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS.

Minera Metalin, the Company's Mexican subsidiary, has been named as a co-defendant in a lawsuit filed in Mexico regarding the Company's purchase of two mining concessions. During the nine months ended July 31, 2003 the Company settled this suit for approximately \$36,000. The Company paid approximately \$13,800 at the time of settlement, with the balance payable in six equal installments of approximately \$3,700. The Company has met its obligation under the settlement.

#### ITEM 2. CHANGES IN SECURITIES.

Neither the constituent instruments defining the rights of the registrant's securities holders nor the rights evidenced by the registrant's outstanding common stock have been modified, limited, or qualified. During the six months ended July 31, 2004 the Company sold 7,436,500 shares of its common stock at a price of \$1.00 per share. There were no shares sold in the three months ended July 31, 2004.

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

The registrant has no outstanding senior securities.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

In February 2001 a notice of annual meeting and proxy statement were mailed to shareholders of record January 5, 2001 regarding matters to be considered at the annual shareholders meeting held March 1, 2001. Matters considered were (1) election of directors, (2) consideration and approval of the Company's 2001 Stock Option Plan, (3) consideration and approval of a proposed amendment to the Company's Articles of Incorporation to authorize a class of Preferred Shares, (4) election of outside auditors. There have been no matters submitted to a vote of security holders since March 1, 2001.

#### ITEM 5. OTHER INFORMATION. None.

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

##### EXHIBITS.

The following exhibit is filed as part of this report: None.

##### REPORTS ON FORM 8-K.

No reports on Form 8-K were filed by the registrant during the period covered by this report.

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METALLINE MINING COMPANY

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Consolidated Statements of Changes in  
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METALLINE MINING COMPANY  
(AN EXPLORATION STAGE COMPANY)  
CONSOLIDATED BALANCE SHEETS

	JULY 31, 2004	October 31, 2003
	(Unaudited)	
	-----	-----
ASSETS		
CURRENT ASSETS		
Cash	\$615,247	\$733,369
Marketable Securities	4,301,196	
Accounts receivable	57,348	0
Prepaid expenses	146	126
Employee advances	34,797	20,900
	-----	-----
Total Current Assets	5,008,734	754,395
	-----	-----
MINERAL PROPERTIES	4,334,767	4,334,767
	-----	-----
PROPERTY AND EQUIPMENT		
Office and mining equipment		
Net of accumulated depreciation	554,356	301,142
	-----	-----
Total Property and Equipment	554,356	301,142
	-----	-----
TOTAL ASSETS	\$9,897,857	\$5,390,304
	=====	=====

METALLINE MINING COMPANY  
(AN EXPLORATION STAGE COMPANY)  
CONSOLIDATED BALANCE SHEETS  
(continued)

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JULY 31, 2004 October 31, 2003

(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$50,324	\$110,898
Contracts payable	4,209	4,209
Accrued liabilities	125,046	23,744
	-----	-----
Total Current Liabilities	179,579	138,851
	-----	-----

COMMITMENTS AND CONTINGENCIES

- -

STOCKHOLDERS' EQUITY

Preferred stock, \$0.01 par value; 1,000,000 shares authorized, no shares issued or outstanding	0	0
Common stock, \$0.01 par value; 50,000,000 shares authorized, 19,542,160 and 11,845,055 shares issued and outstanding respectively.	195,422	118,451
Stock subscriptions receivable	0	(38,000)
Additional paid-in capital	19,031,086	11,955,285
Stock options and warrants	1,498,550	1,498,550
Deficit accumulated during exploration stage	(11,006,780)	(8,282,833)
	-----	-----
Total Stockholders' Equity	9,718,278	5,251,453
	-----	-----

TOTAL LIABILITIES AND  
STOCKHOLDERS' EQUITY

\$9,897,857 \$5,390,304

=====

See condensed notes to the consolidated financial statements.

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METALLINE MINING COMPANY  
(AN EXPLORATION STAGE COMPANY)  
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Nine Months Ended		Period from
	July 31,	July 31,	July 31,	July 31,	November 8, 1993
	2004	2003	2004	2003	(Inception) through
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	July 31, 2004
	-----	-----	-----	-----	-----
REVENUES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	-----	-----	-----	-----	-----
GENERAL AND ADMINISTRATIVE EXPENSES					
Salaries and payroll expenses	149,656	147,755	462,234	426,132	2,269,728
Office and administration	71,611	19,219	196,572	68,054	576,863
Taxes and fees	33,838	12,715	90,607	60,439	376,465
Professional services	147,165	11,824	244,856	199,185	3,767,499
Property expenses	131,517	1,404	146,135	60,094	1,671,033
Depreciation	18,658	9,062	43,783	33,627	336,936
Exploration and research	1,138,708	601	1,698,332	1,941	1,893,680
	-----	-----	-----	-----	-----

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Total General and Administrative Expenses	1,691,148	202,580	2,882,519	849,472	10,892,204
LOSS FROM OPERATIONS	(1,691,148)	(202,580)	(2,882,519)	(849,472)	(10,892,204)
OTHER INCOME (EXPENSES)					
Misc. and ore sales, net of expenses	37,898	62,969	134,602	76,129	121,559
Interest and investment income	2,798	46	3,171	71	28,635
Interest and financing expense	(152)	(152)	(455)	(310)	(286,014)
Total other income (expense)	23,900	3,641	158,572	79,137	(114,566)
LOSS BEFORE INCOME TAXES	(1,667,248)	(198,939)	(2,723,947)	(770,335)	(11,006,770)
See condensed notes to the consolidated financial statements.				F/S 2	

METALLINE MINING COMPANY  
(AN EXPLORATION STAGE COMPANY)  
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Nine Months Ended		Period from
	July 31,	July 31,	July 31,	July 31,	November 8, 1993
	2003	2002	2003	2002	(Inception)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	through
	-----	-----	-----	-----	July 31, 2003
	-----	-----	-----	-----	(Unaudited)
	-----	-----	-----	-----	-----
LOSS BEFORE INCOME TAXES (carried forward)	\$ (1,667,248)	(198,939)	(2,723,947)	(770,335)	(11,006,770)
INCOME TAXES	0	0	0	0	0
NET LOSS	\$ (1,667,248)	(198,939)	(2,723,947)	(770,335)	(11,006,770)
NET LOSS PER COMMON SHARE BASIC AND DILUTED	\$ (0.09)	\$ (0.02)	\$ (0.16)	\$ (0.07)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING BASIC AND DILUTED	19,542,160	10,606,379	16,720,771	10,438,025	

See condensed notes to the consolidated financial statements.

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F/S 3

METALLINE MINING COMPANY  
(AN EXPLORATION STAGE COMPANY)  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Common Stock	Additional	Stock Sub-	Stock Options	Accu Defi Duri
-----				

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	Number of Shares -----	Amount -----	Paid-in Capital -----	scriptions Receivable -----	and Warrants -----	plon Stag -----
Common stock issuance						
prior to inception (no value)	960,800	\$ 9,608	\$(9,608)	\$ -	\$ -	\$ -
1:5 reverse common stock split	(768,640)	(7,686)	7,686	-	-	-
Net loss for the year ended October 31, 1994	-	-	-	-	-	(8)
Balances, October 31, 1994	192,160	1,922	(1,922)	-	-	(8)
	-----	-----	-----	-----	-----	
3:1 common stock split	384,320	3,843	(3,843)	-	-	
Net loss for the year ended October 31, 1995	-	-	-	-	-	(7)
	-----	-----	-----	-----	-----	
Balance, October 31, 1995	576,480	\$ 5,765	\$(5,765)	\$ -	\$ -	\$(16)
	-----	-----	-----	-----	-----	
Issuance of common stock as follows:						
- for par value at transfer of ownership	2,000	20	-	-	-	
- for cash at an average of \$0.11 per share	1,320,859	13,209	133,150	-	-	
- for services at an average of \$0.08 per share	185,000	1,850	12,600	-	-	
- for computer equipment at \$0.01 per share	150,000	1,500	13,500	-	-	
- for mineral property at \$0.01 per share	900,000	9,000	-	-	-	
Net loss for the year ended October 31, 1996	-	-	-	-	-	(40)
	-----	-----	-----	-----	-----	
Balances, October 31, 1996	3,134,339	\$31,344	\$153,485	\$ -	\$ -	\$(57)

----- Table continued on next page.

See condensed notes to the consolidated financial statements.

F/S 4

METALLINE MINING COMPANY  
(AN EXPLORATION STAGE COMPANY)  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
(continued)

	Common Stock -----		Additional	Stock	Stock	Accu
	Number of Shares -----	Amount -----	Paid-in Capital -----	Sub- scriptions Receivable -----	Options and Warrants -----	Defi Duri plon Stag -----
Balance brought Forward	3,134,339	\$31,344	\$153,485	\$ -	\$ -	\$(57,
Issuance of common Stock as follows:						
- for cash at an average of \$0.61 per share	926,600	9,266	594,794	-	-	
- for services at an average of \$0.74 per share	291,300	2,913	159,545	-	-	
- for payment of a loan at \$0.32 per share	100,200	1,002	30,528	-	-	
Options issued as follows:						
- 300,000 options for cash	-	-	3,000	-	-	

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Net loss for year ended October 31, 1997	-	-	-	-	-	(582)
Balances at October 31, 1997	4,452,439	\$44,525	\$941,352	\$ -	\$ -	\$(640)
Issuance of common stock as follows:						
- for cash at an average of \$1.00 per share	843,500	8,435	832,010	-	-	
- for cash and receivables at \$1.00 per share	555,000	5,550	519,450	(300,000)	-	
- for services at an average of \$0.53 per share	41,800	418	21,882	-	-	
- for mine data base at \$1.63 per share	200,000	2,000	323,000	-	-	
Options issued or granted as follows:						
- 1,200,000 options for cash	-	-	120,000	-	-	
- for financing fees	-	-	-	-	60,000	
- for consulting fees	-	-	-	-	117,000	
Warrants issued for services	-	-	-	-	488,980	(488)
Net loss for year ended October 31, 1998	-	-	-	-	-	(906)
Balance, October 31, 1998	6,092,739	\$60,928	\$2,757,694	\$(300,000)	\$665,980	\$(2,035)

--- Table continued on next page. See condensed notes to the consolidated financial statements.

METALLINE MINING COMPANY

(An Exploration Stage Company)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(continued)

	Common Stock		Additional	Stock	Stock	Accu
	Number of	Amount	Paid-in	Sub-	Options	Defi
	Shares		Capital	scriptions	and	Duri
	-----	-----	-----	Receivable	Warrants	plon
	-----	-----	-----	-----	-----	Stag
Balance brought Forward	6,092,739	\$60,928	\$2,757,694	\$(300,000)	\$665,980	\$(2,035)
Issuance of common stock as follows:						
- for cash at an average of \$1.04 per share	818,800	8,188	842,712	-	-	
- for drilling fees at \$0.90 per share	55,556	556	49,444	-	-	
Stock options and warrant activity as follows:						
- exercise of options at \$0.90 per share	250,000	2,500	267,500	-	(45,000)	
- issuance of options for financing fees	-	-	-	-	216,000	
- expiration of options	-	-	60,000	-	(60,000)	
Stock subscription received	-	-	-	300,000	-	
Net loss for year ended October 31, 1999	-	-	-	-	-	(1,42)
Balance, October 31, 1999	7,215,095	\$72,152	\$3,977,350	\$ -	\$776,980	\$(3,45)
Stock option and warrant activity as follows:						
Exercise of options at \$0.86 per share	950,000	9,500	1,090,750	-	(288,000)	

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Warrants issued for services	-	-	-	-	55,000	
Issuance of common stock as follows:						
- for cash at an average of \$2.77						
of \$2.77 per share	1,440,500	14,405	3,972,220	-	-	
- for services at \$1.28 per share	120,000	1,200	152,160	-	-	
- for equipment at \$1.67 per share	15,000	150	24,850	-	-	
Net loss for year ended October 31, 2000	-	-	-	-	-	(88)
Balance, October 31, 2000	9,742,595	\$ 97,427	\$9,217,330	\$ -	\$543,980	\$ (4,340)

----- Table continued on next page. See condensed notes to the consolidated financial statements.

METALLINE MINING COMPANY  
(AN EXPLORATION STAGE COMPANY)  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
(continued)

	Common Stock		Additional	Stock	Stock	Accu
	-----		Paid-in	Sub-	Options	Defi
	Number of	Amount	Capital	scriptions	and	Duri
	Shares			Receivable	Warrants	plon
	----	-----	-----	-----	-----	Stag
Balance brought Forward	9,742,595	\$97,427	\$9,217,330	\$ 0	\$543,980	\$ (4,340)
Stock option and warrant activity as follows:						
-Warrants exercised						
at \$0.75 per share	20,000	200	25,560	0	(10,760)	
-Options issued for consulting fees	0	0	0	0	740,892	
-Warrants issued for consulting fees	0	0	0	0	144,791	
Issuance of common stock as follows:						
- for cash at \$2.00 per share	250,000	2,500	494,076	0	3,424	
- for cash of \$210 and services at \$2.07 per share	21,000	210	43,260	0	0	
- for cash of \$180 and services at \$2.05 per share	18,000	180	36,720	0	0	
- for services at \$2.45 per share	6,000	60	14,640	0	0	
- for services at \$1.50 per share	12,000	120	17,880	0	0	
Net loss for year ended October 31, 2001	0	0	0	0	0	(2,069)
Balance, October 31, 2001	10,069,595	100,697	9,849,466	0	1,422,327	(6,409)
Issuance of common stock as follows:						
- for cash at \$2.00 per share	50,000	500	99,500	0	0	
- for cash and warrants at \$1.50 per share	96,000	960	134,400	0	8,640	
- for cash and warrants at \$1.50 per share	66,667	667	93,333	0	6,000	
- for compensation at an average of \$1.23 per share	86,078	861	104,014	0	0	
Stock option activity as follows:						
- for compensation at \$0.61 per share	0	0	0	0	61,000	
Net loss for year ended October 31, 2002	0	0	0	0	0	(765)
Balance, October 31, 2002	10,368,340	\$103,685	\$10,280,713	\$ 0	\$1,497,967	\$ (7,175,600)

---- Table continued on next page. See condensed notes to the consolidated financial statements.

METALLINE MINING COMPANY

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(AN EXPLORATION STAGE COMPANY)  
 CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
 (continued)

	Common Stock		Additional	Stock	Stock	Accu
	Number of	Amount	Paid-in	Sub-	Options	Defi
	Shares	-----	Capital	scriptions	and	Duri
	-----	-----	-----	Receivable	Warrants	plon
	-----	-----	-----	-----	-----	Stag
Balance brought Forward	10,368,340	\$103,685	\$10,280,713	\$ 0	\$1,497,967	\$(7,175)
Issuance of common stock as follows:						
- for cash at \$2.00 per share	100,000	1,000	199,000	0	0	
- for cash at an average of \$0.98 per share	849,000	8,489	821,510	-	-	
- for cash and warrants at \$1.50 per share	7,000	70	9,847	-	583	
- for compensation at an average of \$1.25 per share	391,332	3,913	487,275	-	-	
- for services at an average of \$1.23 per share	91,383	941	119,320	-	-	
- for subscriptions receivable at \$1.00 per share	38,000	380	37,620	(38,000)	-	
Net loss for the year ended October 31, 2003	-	-	-	-	-	(1,107,2
Balance, October 31, 2003	11,845,055	118,451	11,955,285	(38,000)	1,498,550	(8,282,8
Issuance of common stock as follows:						
- for cash at \$1.00 per share, less issuance cost of \$556,650	7,436,500	74,365	6,805,485	-	-	
- for compensation at an average of \$1.13 per share	91,455	915	102,857	-	-	
- for services at \$1.00 per share	169,150	1,691	167,459	-	-	
Stock subscription received	-	-	-	38,000	-	
Net loss for the nine months ended July 31, 2004	-	-	-	-	-	(2,723,9
Balance, July 31, 2004 (unaudited)	19,542,160	\$195,422	\$19,587,736	\$ -	\$1,498,550	\$(11,006,

See condensed notes to the consolidated financial statements. F/S 8

METALLINE MINING COMPANY  
 (AN EXPLORATION STAGE COMPANY)  
 CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period from	
Nine Months Ended	November 8, 1993	(Inception)
July 31,	July 31,	through
2004	2003	July 31, 2004
(Unaudited)	(Unaudited)	(Unaudited)
-----	-----	-----

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Cash flows from operating activities:			
Net loss	\$ (2,723,947)	\$ (770,335)	\$ (11,006,780)
Adjustments to reconcile net loss to cash used by operating activities:			
Depreciation	43,783	33,627	239,131
Non-cash expenses	0	0	126,864
Payment of services from issuance of stock	272,922	417,422	1,575,434
Payment of services from issuance of options	0	0	801,892
Payment of financing fees from issuance of stock options	0	0	276,000
Payment of expenses from issuance of stock	0	0	326,527
Warrants issued for services	0	0	688,771
(Increases) decreases in:			
Foreign property tax refund receivable	0	59,287	0
Marketable securities	(4,301,196)	0	(4,301,196)
Accounts receivable	(57,348)	(7,233)	(57,348)
Prepaid expenses	(20)	1,605	(146)
Employee advances	(13,897)	(5,689)	(34,797)
(Increases) decreases in:			
Accounts payable	(60,574)	38,195	50,324
Contracts payable	0	21,044	4,209
Accrued liabilities	101,302	(94,716)	125,046
	-----	-----	-----
Net cash used in operating activities	(6,738,975)	(306,793)	(11,203,924)
	=====	=====	=====

Schedule continued on next page.

See condensed notes to the consolidated financial statements.

METALLINE MINING COMPANY  
(AN EXPLORATION STAGE COMPANY)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(continued)

	Nine Months Ended		Period from
	-----		November 8, 1993
	July 31,	July 31,	(Inception)
	2004	2003	through
	(Unaudited)	(Unaudited)	July 31, 2004
	-----	-----	-----
Net cash used by operating activities	(6,738,975)	(306,793)	(11,203,924)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	0	0	(484,447)
Proceeds from investments	0	0	484,447
Equipment purchases	(296,997)	(19,508)	(753,464)
Mining property acquisitions	0	0	(4,452,631)
	-----	-----	-----
Net cash used by investing			

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activities	(296,997)	(19,508)	(5,206,095)
	-----	-----	-----
CASH FLOWS FROM FINANCING			
ACTIVITIES:			
Proceeds from sales of common stock	6,879,850	209,917	15,902,021
Proceeds from sales of options and warrants	0	583	949,890
Deposits for sale of stock	38,000	0	125,500
Proceeds from shareholders loans	0	0	30,000
	-----	-----	-----
Net cash provided by financing activities:	6,917,850	210,500	17,007,411
	-----	-----	-----
Net increase (decrease) in cash	(118,122)	(115,801)	615,247
Cash beginning of period	733,369	216,363	0
	-----	-----	-----
Cash at end of period	\$615,247	\$100,562	\$615,247
	=====	=====	=====

Schedule continued on next page.

See condensed notes to the consolidated financial statements.

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METALLINE MINING COMPANY  
(AN EXPLORATION STAGE COMPANY)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(continued)

	Nine Months Ended		Period from
	-----		November 8, 1993
	July 31,	July 31,	(Inception)
	2004	2003	through
	(Unaudited)	(Unaudited)	July 31, 2004
	-----	-----	-----
SUPPLEMENTAL CASH			
FLOW DISCLOSURES:			
Income taxes paid in cash	0	0	\$ 0
Interest paid in cash	455	310	\$ 765
NON-CASH FINANCING ACTIVITIES:			
Common stock issued for services	272,922	417,422	\$1,575,434
Common stock issued for payment of expenses	0	0	\$326,527
Common stock issued for equipment	0	0	\$ 25,000
Common stock options issued for financing fees	0	0	\$276,000
Options issued for services	0	0	\$801,892
Warrants issued for services	0	0	\$688,771
Financing of equipment	0	23,148	\$23,148
	-----	-----	-----

See condensed notes to the consolidated financial statements.

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METALLINE MINING COMPANY  
An Exploration Stage Company  
Notes to the Consolidated Financial Statements  
July 31, 2004

The interim consolidated financial statements of Metalline Mining Company included herein have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange. Although certain information normally included in financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted, the Company believes that the disclosures are adequate to make the information presented not misleading. The accompanying interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's annual report on Form 10-KSB for the fiscal year ended October 31, 2003.

The consolidated financial statements included herein reflect all normal recurring adjustments that, in the opinion of management, are necessary for a fair presentation of the results for interim periods. The results for interim periods are not necessarily indicative of trends or of results to be expected for a full year.

### NOTE 1

#### PREFERRED STOCK

At its March 1, 2001 annual shareholders meeting, the Company approved a change to its articles of incorporation whereby the Company is authorized to issue one million shares of \$0.01 par value preferred stock. The specific features of the preferred stock will be determined by the Company's board of directors. There have been no preferred shares issued as of July 31, 2004.

#### STOCK OPTION PLAN

On March 1, 2001, the Company's shareholders approved a qualified stock option plan. The number of shares eligible for issuance under the qualified plan is to be determined by the Company's board of directors. As of July 31, 2004 there were options for 350,000 shares outstanding to officers and directors of the Company.

### NOTE 2

On November 15, 2001, the Company entered into an agreement with Compania Minera La Parrena S.A. de C.V. ("Penoles") whereby Penoles may earn the right to acquire a 60% interest in certain mining concessions located in the Sierra Majada region of Coahuila, Mexico. The earn-in right is contingent upon the following: delivery by Penoles within four years of a pre-feasibility study, completion by Penoles of \$1,000,000 of qualified expenditures on the aforementioned mining concessions, and Penoles' purchase of up to 250,000 shares of Metalline's common stock at \$2.00 per share. In November 2003, the agreement between the Company and Penoles was terminated by mutual consent.

### NOTE 3

On June 21, 2002, the Company authorized the purchase of property and equipment from the Mineros Nortenos Cooperativa, located at the Company's Sierra Majada Project at La Esmeralda, Coahuila, Mexico. Total purchase price, after conversion to U.S. Dollars, amounted to \$272,616. The final payment of \$38,610 was made in June 2003.

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### NOTE 4

The Company's private placement of common shares was completed in the second quarter of 2004. The Company issued a total of 7,436,500 shares at \$1.00 per share in the six months ended April 30, 2004, and realized \$6,879,850 after private placement costs of \$556,650.

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METALLINE MINING COMPANY  
An Exploration Stage Company  
Notes to the Consolidated Financial Statements  
July 31, 2004

### NOTE 5 - Securities

#### Marketable Investments

The Company's investments in equity securities that are intended to be held for a short period are classified as trading securities. These securities are recorded at fair value as current assets on the balance sheet under the caption of marketable securities. The change in fair value of these securities is included in earnings during the period presented. In the nine month period ended July 31, 2004, there was no change in the per share fair market value of the securities held, however, the Company sold a portion of its securities during the period. The Company's marketable securities consist of certificates of deposit with maturity dates ranging from November 2004 to October 2005, and mutual fund accounts. These investments are not insured, and therefore, a total of \$4,681,390 was at risk on July 31, 2004.

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METALLINE MINING COMPANY  
AN EXPLORATION STAGE COMPANY  
July 31, 2004

#### CERTIFICATIONS

I, Merlin D. Bingham, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Metalline Mining Company.
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I, are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the

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registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 45 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: September 13, 2004

/s/ Merlin D. Bingham

-----

President

F/S 13

METALLINE MINING COMPANY  
AN EXPLORATION STAGE COMPANY  
July 31, 2004

### CERTIFICATIONS

I, Wayne L. Schoonmaker, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Metalline Mining Company.

2. Based on my knowledge, this quarterly 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

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the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I, are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 45 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: September 13, 2004

/s/ Wayne L. Schoonmaker

-----

Principal Accounting Officer

F/S 14

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

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In connection with the Quarterly Report of Metalline Mining Company (the "Company") on Form 10-QSB for the period ended July 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Merlin D. Bingham, President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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.

/s/ Merlin D. Bingham

-----

President

Date: September 13, 2004

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

In connection with the Quarterly Report of Metalline Mining Company (the "Company") on Form 10-QSB for the period ended July 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Wayne L. Schoonmaker, Principal Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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.

/s/ Wayne L. Schoonmaker

-----

Principal Accounting Officer

Date: September 13, 2004

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METALLINE MINING COMPANY  
AN EXPLORATION STAGE COMPANY  
July 31, 2004

### SIGNATURES

In accordance with Section 12, 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report

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to be signed on its behalf by the undersigned, thereunto duly authorized.

METALLINE MINING COMPANY

BY: /s/ Merlin Bingham  
-----

Merlin Bingham, its President

Date: September 13, 2004

By: /s/ Wayne L. Schoonmaker  
-----

Wayne Schoonmaker, its  
Principal Accounting Officer

Date: September 13, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

By: /s/ Merlin Bingham  
-----

Merlin Bingham

Director

Date: September 13, 2004

By: /s/ Daniel Gorski  
-----

Daniel Gorski

Vice President/Director

Date: September 13, 2004

By: /s/ Wayne L. Schoonmaker  
-----

Wayne Schoonmaker

Secretary/Treasurer

Date: September 13, 2004

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