METALLINE MINING CO
Form 10KSB/A
September 15, 2005

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-KSB/A

**AMENDMENT 1**

**ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF**

**THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended October 31, 2004**

**OR**

**o 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**<br>(State or other jurisdiction of incorporation) | **91-1766677**<br>(IRS Employer Identification No.) |

**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** |

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 ý No o

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendments to this Form 10-KSB. ý

The aggregate market value of the voting stock held by non-affiliates of the registrant at January 14, 2005 was $24,904,458. The number of shares of common stock outstanding at such date was 19,751,409 shares. An additional 1,996,554 were deemed outstanding at such date pursuant to presently exercisable options and warrants.

## EXPLANATORY NOTE

This Annual Report on Form 10-KSB/A is being filed as Amendment No. 1 to our Annual Report on Form 10-KSB for the fiscal year ended October 31, 2004. This Form 10-KSB/A is filed with the Securities and Exchange Commission solely for the purpose of restating our financial statements to correct certain descriptive errors and to add Exhibits 31.1, 31.2, 32.1, and 32.2. This Form 10-KSB/A does not otherwise change or update the disclosures set forth in the Form 10-KSB as originally filed and does not otherwise reflect events occurring after the filing of the Form 10-KSB.

---

**METALLINE MINING COMPANY ANNUAL REPORT**

**ON FORM 10-KSB FOR THE FISCAL YEAR**

**ENDED OCTOBER 31, 2004**

TABLE OF CONTENTS

## FORWARD-LOOKING STATEMENTS

This Report on Form 10-KSB contains forward-looking statements regarding future events and the Company s future results that are subject to the safe harbors created under the Securities Act of 1933 (the Securities Act ) and the Securities Exchange Act of 1934 (the Exchange Act ). These statements are based on current expectations, estimates, forecasts, and projections about the industry in which the Company operates and the beliefs and assumptions of the Company s management. Words such as expects, anticipates, targets, goals, projects, intends, plans, seeks, estimates, continues, may, variations of such words, and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of the Company s future financial performance, the Company s anticipated growth and potentials in its business, and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified elsewhere herein and in the Company s Annual Report on Form 10-KSB for the fiscal year ended October 31, 2004 under Risk Factors. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. The Company undertakes no obligation to revise or update any forward-looking statements for any reason.

[The balance of this page has been intentionally left blank.]

**PART II**

## ITEM 7. FINANCIAL STATEMENTS.

The required financial statements, as amended, are contained in pages F/S-1 through F/S-24 of this Form 10-KSB/A.

**PART III**

**ITEM 13. EXHIBITS.**

Item 13 is amended to add the following exhibits.

| EXHIBIT NO. | EXHIBIT |
|---|---|

| | |
|---|---|
| 31.1 | Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act. Filed herewith. |
| 31.2 | Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act. Filed herewith. |
| 32.1 | Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350. Furnished herewith. |
| 32.2 | Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350. Furnished herewith. |

## SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

METALLINE MINING COMPANY

BY: /s/ Merlin Bingham

Merlin Bingham,

President

Date: September 15, 2005

By: /s/ Wayne Schoonmaker,

Wayne Schoonmaker,
Principal Accounting Officer
Date: September 15, 2005

In accordance with 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**

**By: /s/ Roger Kolvoord**

Merlin Bingham
President/Director
Date: September 15, 2005

Roger Kolvoord
Vice President-Business/Director
Date: September 15, 2005

By: /s/ Wayne Schoonmaker
Wayne Schoonmaker
Secretary/Treasurer
Date: September 15, 2005

By: /s/ Wesley Pomeroy
Wesley Pomeroy
Director
Date: September 15, 2005

**METALLINE MINING COMPANY**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

[The balance of this page has been intentionally left blank.]

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

The Board of Directors

Metalline Mining Company

Coeur d  Alene, Idaho

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have audited the accompanying consolidated balance sheets of Metalline Mining Company (a Nevada corporation and an exploration stage company) as of October 31, 2004 and 2003, and the related consolidated statements of operations, stockholders equity, and cash flows for the years then ended, and for the period from November 8, 1993 (inception) to October 31, 2004. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Metalline Mining Company as of October 31, 2004 and 2003, the results of its operations, stockholders equity and it s cash flows for the years then ended and for the period from November 8, 1993 (inception) to October 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company s significant operating losses raise substantial doubt about its ability to continue as a going concern. Management s plans regarding those matters also are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Williams & Webster, P.S.

*Certified Public Accountants*

Spokane, Washington

January 21, 2005

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

| | October 31, 2004 | October 31, 2003 |
|---|---|---|
| ASSETS | | |
| | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 1,384,030 | $ 733,369 |
| Marketable securities | 1,250,000 | |
| Accounts receivable | 88,164 | |
| Prepaid expenses | 2,052 | 126 |
| Employee advances | 34,022 | 20,900 |
| Total Current Assets | 2,758,268 | 754,395 |
| | | |
| PROPERTY CONCESSIONS | | |
| Sierra Mojada, Mojada 3 | 15,875 | 15,875 |
| Fortuna | 76,725 | 76,725 |
| Esmeralda | 255,647 | 255,647 |
| Esmeralda 1 | 180,988 | 180,988 |
| U.M. Nortenos, Vulcano | 3,682,772 | 3,682,772 |
| La Blanca | 122,760 | 122,760 |
| Total Property Concessions | 4,334,767 | 4,334,767 |
| | | |
| PROPERTY AND EQUIPMENT | | |
| Office and mining equipment, net of accumulated depreciation | 566,843 | 301,142 |
| Total Property and Equipment | 566,843 | 301,142 |
| | | |
| TOTAL ASSETS | $ 7,659,878 | $ 5,390,304 |
| | | |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| | | |
| CURRENT LIABILITIES | | |
| Accounts payable | $ 57,231 | $ 110,898 |
| Accrued liabilities and expenses | 145,445 | 7,961 |
| Note payable, current portion | 4,209 | 4,209 |
| Total Current Liabilities | 206,885 | 123,068 |
| | | |
| LONG-TERM LIABILITIES | | |
| Note payable, net of current portion | 11,574 | 15,783 |
| | | |
| COMMITMENTS AND CONTINGENCIES | | |
| | | |
| STOCKHOLDERS EQUITY | | |
| Preferred stock, $0.01 par value; 1,000,000 shares authorized, no shares outstanding | | |
| Common stock, $0.01 par value; 50,000,000 shares authorized, 19,751,409 and 11,845,055 shares issued and outstanding, respectively | 197,515 | 118,451 |
| Stock subscriptions receivable | | (38,000) |
| Additional paid-in capital | 19,064,992 | 11,955,285 |
| Stock options and warrants | 1,498,550 | 1,498,550 |
| Deficit accumulated during exploration stage | (13,319,638) | (8,282,833) |
| Total Stockholders Equity | 7,441,419 | 5,251,453 |
| | | |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY | $ 7,659,878 | $ 5,390,304 |

The accompanying notes are an integral part of these consolidated financial statements.

**METALLINE MINING COMPANY**
**(AN EXPLORATION STAGE COMPANY)**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

| | Years Ended October 31, 2004 | Years Ended October 31, 2003 | November 8, 1993 (Inception) to October 31, 2004 |
|---|---|---|---|
| REVENUES | $ | $ | $ |
| | | | |
| GENERAL AND ADMINISTRATIVE EXPENSES | | | |
| Salaries and payroll expenses | 633,019 | 575,912 | 2,440,513 |
| Office and administrative expenses | 299,172 | 24,651 | 679,463 |
| Taxes and fees | 108,220 | 141,533 | 394,088 |
| Professional services | 516,015 | 253,419 | 4,038,658 |
| Property expenses | 233,148 | 66,501 | 1,758,046 |
| Depreciation | 63,045 | 42,833 | 258,393 |
| Exploration and research | 3,374,049 | 74,553 | 3,667,202 |
| TOTAL GENERAL AND ADMINISTRATIVE EXPENSES | 5,226,667 | 1,179,402 | 13,236,362 |
| | | | |
| LOSS FROM OPERATIONS | (5,226,667) | (1,179,402) | (13,236,362) |
| | | | |
| OTHER INCOME (EXPENSES) | | | |
| Miscellaneous ore sales, net of expenses | 170,217 | 72,091 | 157,174 |
| Interest and investment income | 20,251 | 83 | 45,715 |
| Interest and financing expense | (606) | | (286,165) |
| TOTAL OTHER INCOME | 189,861 | 72,174 | (83,277) |
| | | | |
| LOSS BEFORE INCOME TAXES | (5,036,805) | (1,107,228) | (13,319,638) |
| | | | |
| INCOME TAXES | | | |
| | | | |
| NET LOSS | $ (5,036,805) | $ (1,107,228) | $ (13,319,638) |
| | | | |
| BASIC AND DILUTED NET LOSS PER COMMON SHARE | $ (0.30) | $ (0.10) | |
| | | | |
| BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | 17,025,631 | 10,955,423 | |

The accompanying notes are an integral part of these consolidated financial statements.

F/S-4

**METALLINE MINING COMPANY**
**(AN EXPLORATION STAGE COMPANY)**

**CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY**

| | Common Stock Number of Shares | Common Stock Amount | Additional Paid-in Capital | Stock Subscriptions Receivable | Stock Options and Warrants | Accumulated Deficit During Exploration Stage | Total |
|---|---|---|---|---|---|---|---|
| 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 | | | | | | (8,831) | (8,831) |
| Balances, October 31, 1994 | 192,160 | 1,922 | (1,922) | | | (8,831) | (8,831) |
| 3:1 common stock split | 384,320 | 3,843 | (3,843) | | | | |
| Net loss for the year ended October 31, 1995 | | | | | | (7,761) | (7,761) |
| Balances, October 31, 1995 | 576,480 | 5,765 | (5,765) | | | (16,592) | (16,592) |
| Issuances of common stock as follows: | | | | | | | |
| for par value at transfer of ownership | 2,000 | 20 | | | | | 20 |
| for cash at an average of $0.11 per share | 1,320,859 | 13,209 | 133,150 | | | | 146,359 |
| for services at an average of $0.08 per share | 185,000 | 1,850 | 12,600 | | | | 14,450 |
| for computer equipment at $0.01 per share | 150,000 | 1,500 | 13,500 | | | | 15,000 |
| for mineral property at $0.01 per share | 900,000 | 9,000 | | | | | 9,000 |
| Net loss for the year ended October 31, 1996 | | | | | | (40,670) | (40,670) |
| Balances, October 31, 1996 | 3,134,339 | 31,344 | 153,485 | | | (57,262) | 127,567 |
| Issuances of common stock as follows: | | | | | | | |
| for cash at an average of $0.61 per share | 926,600 | 9,266 | 594,794 | | | | 604,060 |
| for services at an average of $0.74 per share | 291,300 | 2,913 | 159,545 | | | | 162,458 |
| for payment of a loan at $0.32 per share | 100,200 | 1,002 | 30,528 | | | | 31,530 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Options issued as follows: | | | | | | | |
| 300,000 options for cash | | | 3,000 | | | | 3,000 |
| | | | | | | | |
| Net loss for the year ended October 31, 1997 | | | | | | (582,919) | (582,919) |
| | | | | | | | |
| Balances, October 31, 1997 | 4,452,439 | 44,525 | 941,352 | | | (640,181) | 345,696 |
| | | | | | | | |
| Issuances of common stock as follows: | | | | | | | |
| for cash at an average of $1.00 per share | 843,500 | 8,435 | 832,010 | | | | 840,445 |
| for cash and receivables at $1.00 per share | 555,000 | 5,550 | 519,450 | (300,000) | | | 225,000 |
| for services at an average of $0.53 per share | 41,800 | 418 | 21,882 | | | | 22,300 |
| for mine data base at $1.63 per share | 200,000 | 2,000 | 323,000 | | | | 325,000 |
| | | | | | | | |
| Options issued or granted as follows: | | | | | | | |
| 1,200,000 options for cash | | | 120,000 | | | | 120,000 |
| for financing fees | | | | | 60,000 | | 60,000 |
| for consulting fees | | | | | 117,000 | | 117,000 |
| | | | | | | | |
| Warrants issued for services | | | | | 488,980 | (488,980) | |
| | | | | | | | |
| Net loss for the year ended October 31, 1998 | | | | | | (906,036) | (906,036) |
| | | | | | | | |
| Balance, October 31, 1998 | 6,092,739 | $ 60,928 | $ 2,757,694 | $ (300,000) | $ 665,980 | $ (2,035,197) | $ 1,149,405 |

The accompanying notes are an integral part of these consolidated financial statements.

| | Common Stock Number of Shares | Amount | Additional Paid-in Capital | Stock Subscriptions Receivable | Stock Options and Warrants | Accumulated Deficit During Exploration Stage | Total |
|---|---|---|---|---|---|---|---|
| Balance, October 31, 1998 | 6,092,739 | $ 60,928 | $ 2,757,694 | $ (300,000) | $ 665,980 | $ (2,035,197) | $ 1,149,405 |
| Issuances of common stock as follows: | | | | | | | |
| for cash at an average of $1.04 per share | 818,800 | 8,188 | 842,712 | | | | 850,900 |
| for drilling fees at $0.90 per share | 55,556 | 556 | 49,444 | | | | 50,000 |
| Stock option and warrant activity as follows: | | | | | | | |
| exercise of options at $0.90 per share | 250,000 | 2,500 | 267,500 | | (45,000) | | 225,000 |
| issuance of options for financing fees | | | | | 216,000 | | 216,000 |
| expiration of options | | | 60,000 | | (60,000) | | |
| Stock subscription received | | | | 300,000 | | | 300,000 |
| Net loss for the year ended October 31, 1999 | | | | | | (1,423,045) | (1,423,045) |
| Balance, October 31, 1999 | 7,217,095 | 72,172 | 3,977,350 | | 776,980 | (3,458,242) | 1,368,260 |
| Stock option and warrant activity as follows: | | | | | | | |
| Exercise of options at $0.86 per share | 950,000 | 9,500 | 1,090,750 | | (288,000) | | 812,250 |
| Warrants issued for services | | | | | 55,000 | | 55,000 |
| Issuances of common stock as follows: | | | | | | | |
| for cash at an average of $2.77 per share | 1,440,500 | 14,405 | 3,972,220 | | | | 3,986,625 |
| for services at $1.28 per share | 120,000 | 1,200 | 152,160 | | | | 153,360 |
| for equipment at $1.67 per share | 15,000 | 150 | 24,850 | | | | 25,000 |
| Net loss for the year ended October 31, 2000 | | | | | | (882,208) | (882,208) |
| Balances, October 31, 2000 | 9,742,595 | 97,427 | 9,217,330 | | 543,980 | (4,340,450) | 5,518,287 |
| Stock option and warrant activity as follows: | | | | | | | |
| Warrants exercised at $0.75 per share | 20,000 | 200 | 25,560 | | (10,760) | | 15,000 |
| Options issued for consulting fees | | | | | 740,892 | | 740,892 |
| Warrants issued for consulting fees | | | | | 144,791 | | 144,791 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Issuances of common stock as follows: | | | | | | | |
| for cash at $2.00 per share | 250,000 | 2,500 | 494,076 | | 3,424 | | 500,000 |
| for cash of $210 and services at $2.07 per share | 21,000 | 210 | 43,260 | | | | 43,470 |
| for cash of $180 and services at $2.05 per share | 18,000 | 180 | 36,720 | | | | 36,900 |
| for services at $2.45 per share | 6,000 | 60 | 14,640 | | | | 14,700 |
| for services at $1.50 per share | 12,000 | 120 | 17,880 | | | | 18,000 |
| Net loss for the year ended October 31, 2001 | | | | | | (2,069,390) | (2,069,390) |
| Balance, October 31, 2001 | 10,069,595 | 100,697 | 9,849,466 | | 1,422,327 | (6,409,840) | 4,962,650 |
| Issuances of common stock as follows: | | | | | | | |
| for cash at $2.00 per share | 50,000 | 500 | 99,500 | | | | 100,000 |
| for cash and warrants at $1.50 per share | 96,000 | 960 | 134,400 | | 8,640 | | 144,000 |
| for cash and warrants at $1.50 per share | 66,667 | 667 | 93,333 | | 6,000 | | 100,000 |
| for compensation at an average of $1.23 per share | 86,078 | 861 | 104,014 | | | | 104,875 |
| Stock option activity as follows: | | | | | | | |
| for compensation at $0.61 per share | | | | | 61,000 | | 61,000 |
| Net loss for the year ended October 31, 2002 | | | | | | (765,765) | (765,765) |
| Balance, October 31, 2002 | 10,368,340 | $ 103,685 | $ 10,280,713 | $ | $ 1,497,967 | $ (7,175,605) | $ 4,706,760 |

The accompanying notes are an integral part of these consolidated financial statements.

| | Common Stock Shares | Common Stock Amount | Additional Paid-in Capital | Stock Subscriptions Receivable | Stock Options and Warrants | Accumulated Deficit During Exploration Stage | Total |
|---|---|---|---|---|---|---|---|
| Balance, October 31, 2002 | 10,368,340 | $ 103,685 | $ 10,280,713 | $ | $ 1,497,967 | $ (7,175,605) | $ 4,706,760 |
| Issuances of common stock as follows: | | | | | | | |
| for cash at $2.00 per share | 100,000 | 1,000 | 199,000 | | | | 200,000 |
| for cash at an average of $0.98 per share | 849,000 | 8,489 | 821,510 | | | | 829,999 |
| for cash and warrants at $1.50 per share | 7,000 | 70 | 9,847 | | 583 | | 10,500 |
| for compensation at an average of $1.25 per share | 391,332 | 3,913 | 487,275 | | | | 491,188 |
| for services at an average of $1.23 per share | 91,383 | 914 | 119,320 | | | | 120,234 |
| for subscriptions receivable at $1.00 per share | 38,000 | 380 | 37,620 | (38,000) | | | |
| Net loss for the year ended October 31, 2003 | | | | | | (1,107,228) | (1,107,228) |
| Balance, October 31, 2003 | 11,845,055 | 118,451 | 11,955,285 | (38,000) | 1,498,550 | (8,282,833) | 5,251,453 |
| Issuances of common stock as follows: | | | | | | | |
| for cash at $1.00 per share, less issuance costs of $698,863 | 7,580,150 | 75,802 | 6,805,485 | | | | 6,881,287 |
| for compensation at an average of $1.26 per share | 120,655 | 1,207 | 151,064 | | | | 152,271 |
| for services at various prices | 141,286 | 1,413 | 153,801 | | | | 155,214 |
| Stock subscription received | | | | 38,000 | | | 38,000 |
| Miscellaneous corrections and adjustments | 64,263 | 643 | (643) | | | | |
| Net loss for the year ended October 31, 2004 | | | | | | (5,036,805) | (5,036,805) |
| Balance, October 31, 2004 | 19,751,409 | $ 197,515 | $ 19,064,992 | $ | $ 1,498,550 | $ (13,319,638) | $ 7,441,419 |

The accompanying notes are an integral part of these consolidated financial statements.

**METALLINE MINING COMPANY**

**(AN EXPLORATION STAGE COMPANY)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Years Ended October 31, 2004 | Years Ended October 31, 2003 | Period from November 8, 1993 (Inception) to October 31, 2004 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net loss | $ (5,036,805) | $ (1,107,228) | $ (13,319,638) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | | |
| Depreciation | 63,045 | 42,833 | 258,363 |
| Noncash expenses | | | 126,864 |
| Payment of services from issuance of stock | 155,214 | 120,234 | 966,538 |
| Issuance of stock for compensation | 152,271 | 491,188 | 643,459 |
| Payment of services from issuance of options | | | 801,892 |
| Payment of financing fees from the issuance of stock options | | | 276,000 |
| Payment of expenses from issuance of stock | | | 326,527 |
| Warrants issued for services | | | 688,771 |
| (Increase) decrease in: | | | |
| Foreign property tax refund receivable | | 59,287 | |
| Marketable securities | (1,250,000) | | (1,250,000) |
| Accounts receivable | (88,164) | 62,501 | (88,164) |
| Prepaid expenses | (1,926) | 1,794 | (2,052) |
| Employee advances | (13,122) | (7,479) | (34,022) |
| Increase (decrease) in: | | | |
| Accounts payable | (53,667) | (325) | 57,231 |
| Contracts payable | | 4,209 | 4,209 |
| Accrued liabilities and expenses | 137,484 | (169,562) | 161,228 |
| Net cash used by operating activities | (5,935,671) | (520,373) | (10,382,795) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of investments | | | (484,447) |
| Proceeds from investments | | | 484,447 |
| Equipment purchases | (328,746) | (20,945) | (785,183) |
| Mining property acquisitions | | | (4,452,631) |
| Net cash used by investing activities | (328,746) | (3,120) | (5,237,814) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from sales of common stock | 6,881,287 | 1,040,499 | 15,903,458 |
| Proceeds from sales of options and warrants | | | 949,890 |
| Deposits for sale of stock | 38,000 | | 125,500 |
| Proceeds from shareholder loans | | | 30,000 |
| Payment of note payable | (4,209) | | (4,209) |
| Net cash provided by financing activities: | 6,915,078 | 1,040,499 | 17,004,639 |
| Net increase (decrease) in cash and cash equivalents | 650,661 | 517,006 | 1,384,030 |
| Cash and cash equivalents beginning of period | 733,369 | 216,363 | |
| Cash and cash equivalents end of period | $ 1,384,030 | $ 733,369 | $ 1,384,030 |
| | | | |
| SUPPLEMENTAL CASH FLOW DISCLOSURES: | | | |
| Income taxes paid | $ | $ | $ |
| Interest paid | $ 606 | $ | $ 606 |

| | | | | | | |
|---|---|---|---|---|---|---|
| NON-CASH INVESTING AND FINANCING ACTIVITIES: | | | | | | |
| Common stock issued for services | $ | 155,214 | $ | 611,422 | $ | 966,538 |
| Common stock issued for compensation | $ | 152,271 | $ | 491,188 | $ | 643,459 |
| Common stock issued for payment of expenses | $ | | $ | | $ | 326,527 |
| Common stock issued for equipment | $ | | $ | | $ | 25,000 |
| Common stock options issued for financing fees | $ | | $ | | $ | 276,000 |
| Options issued for services | $ | | $ | | $ | 801,892 |
| Warrants issued for services | $ | | $ | | $ | 688,771 |
| Noncash expenses | $ | | $ | | $ | 126,864 |

The accompanying notes are an integral part of these consolidated financial statements.

**METALLINE MINING COMPANY**

**(AN EXPLORATION STAGE COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**OCTOBER 31, 2004**

**NOTE 1 ORGANIZATION AND DESCRIPTION OF BUSINESS**

Metalline Mining Company ( the Company ) was incorporated in the State of Nevada on November 8, 1993 as the Cadgie Company for the purpose of acquiring and developing mineral concessions. The Cadgie Company was a spin-off from its predecessor, Precious Metal Mines, Inc. On June 28, 1996, at a special directors meeting, the Company s name was changed to Metalline Mining Company. The Company s fiscal year-end is October 31.

The Company expects to engage in the business of mining. The Company currently owns concessions located in a mining region known as the Sierra Mojada District that is located in the municipality of Sierra Mojada, Coahuila, Mexico. The Company conducts its operations in Mexico through its wholly owned subsidiary corporation, Minera Metalin S.A. de C.V. ( Minera Metalin ).

The Company s efforts have been concentrated in expenditures related to exploration of the concessions. The Company has not determined whether the concessions contain ore reserves that are economically recoverable. The ultimate realization of the Company s investment in exploration of the concessions is dependent upon the success of future concession sales, the existence of economically recoverable reserves, the ability of the Company to obtain financing or make other arrangements for development, and upon future profitable production. The ultimate realization of the Company s investment in exploration of the concessions cannot be determined at this time, and accordingly, no provision for any asset impairment that may result, in the event the Company is not successful in developing or selling these concessions, has been made in the accompanying financial statements.

The Company is actively seeking additional capital and management believes its concessions can ultimately be sold or developed to enable the Company to continue its operations. However, there are inherent uncertainties in mining operations and management cannot provide assurances that it will be successful in this endeavor. Furthermore, the Company is in the exploration stage, as it has not realized any revenues from its planned operations.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Company s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the U.S. and have been consistently applied in the preparation of the financial statements.

F/S-9

Accounting Method

The Company s financial statements are prepared using the accrual method of accounting.

Accounts Receivable

The Company carries its accounts receivable at cost. On a periodic basis, the Company evaluates its accounts receivable and determines if an allowance for doubtful accounts is necessary, based on a history of past write-offs and collections and current credit conditions.

The Company has not yet established a policy regarding accruing interest on trade receivables. Accounts will be written off as uncollectible when it is determined that collection will be unlikely.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all bank accounts, certificates of deposit, money market accounts and short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Compensated Absences

The Company s policy is to recognize the cost of compensated absences when actually paid to employees. If the amount were estimatible, it would not be currently recognized as the amount would be deemed immaterial.

Concentration of Risk

The Company maintains its domestic cash in two commercial depository accounts. One of these accounts is insured by the Federal Deposit Insurance Corporation (FDIC) for up to $100,000. The other account consists of money market funds, certificates of deposit and preferred securities, all of which are not insured. The Company also maintains cash in banks in Mexico. These accounts, which had U.S. dollar balances of $61,616 and $40,968 at October 31, 2004 and 2003 respectively, are denominated in pesos and are considered uninsured. Additionally, the Company maintained Mexican petty cash balances of $4,864 and $29,862 at October 31, 2004 and 2003, respectively. At October 31, 2004, the Company s cash balances exceeded the federally insured amount by $1,357,926.

Derivative Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, (hereinafter SFAS No. 133 ) as amended by SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities Deferral of the Effective Date of FASB No. 133 , and SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities and SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities . These statements establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. They

F/S-10

require that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheet and measure those instruments at fair value.

If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

Historically, the Company has not entered into derivatives contracts to hedge existing risks or for speculative purposes.

During the years ended October 31, 2004 and 2003, the Company has not engaged in any transactions that would be considered derivative instruments or hedging activities.

Earnings Per Share

The Company has adopted Statement of Financial Accounting Standards No. 128, which provides for calculation of basic and diluted earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity similar to fully diluted earnings per share. Although there were common stock equivalents outstanding October 31, 2004 and 2003, they were not included in the calculation of earnings per share because they would have been considered anti-dilutive. Common stock equivalents outstanding were 1,096,554 and 2,058,055 at October 31, 2004 and 2003, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Exploration Costs

In accordance with accounting principles generally accepted in the United States of America, the Company expenses exploration costs as incurred. Exploration costs expensed during the year ended October 31, 2004 and 2003 were $3,374,049 and $74,553, respectively. The exploration costs expensed during the Company s exploration stage amount to $3,667,202.

Exploration Stage Activities

The Company has been in the exploration stage since November 8, 1993 and has no revenues from operations. The Company is primarily engaged in the acquisition and exploration of concessions. Should the Company locate a commercially minable reserve, the Company would expect to actively prepare the site for extraction.

Fair Value of Financial Instruments

The Company s financial instruments as defined by Statement of Financial Accounting Standards No. 107, Disclosures about Fair Value of Financial Instruments, include cash and cash equivalents, marketable securities, receivables, advances to employees, accounts payable and accrued expenses. All instruments are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at October 31, 2004 and 2003.

Foreign Currency Translation

Assets and liabilities of the Company s foreign operations are translated into U.S. dollars at the year-end exchange rates, and revenue and expenses are translated at the average exchange rates during the period. Exchange differences arising on translation are disclosed as a separate component of shareholders equity. Realized gains and losses from foreign currency transactions are reflected in the results of operations.

Foreign Operations

The accompanying balance sheet at October 31, 2004 contains Company assets in Mexico, including: $4,334,767 in concessions; $507,257 (before accumulated depreciation) of mining equipment; and $66,480 of cash. Although this country is considered economically stable, it is always possible that unanticipated events in foreign countries could disrupt the Company s operations. The Mexican government does not require foreign entities to maintain cash reserves in Mexico.

Going Concern

As shown in the accompanying financial statements, the Company has no revenues, has incurred a net loss of $5,036,805 for the year ended October 31, 2004 and has an accumulated deficit of $13,319,638. These factors indicate that the Company may be unable to continue in existence. The financial statements do not include any adjustments related to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

The Company s management believes that significant and imminent private placements of stock and continuing contracted agreements will generate sufficient cash for the Company to continue to operate based on current expense projections. The Company is currently operating on the cash proceeds of a private placement offering completed in the second quarter of the year ended October 31, 2004.

Marketable Securities

Pursuant to Statement of Financial Accounting Standards No. 115, the Company classifies marketable securities as trading, available-for-sale, or held-to-maturity.  During the year ended October 31, 2004, the Company purchased $1,250,000 in various preferred equity securities and has classified them as available-for-sale.  The Company did not incur unrealized gains or losses related to its available-for-sale securities during the year ended October 31, 2004.

Concessions

Costs of acquiring concessions are capitalized by project area upon purchase of the associated concessions.  Costs to maintain the mineral rights and leases are expensed as incurred.  When a concession reaches the production stage, the related capitalized costs will be amortized, using the units of production method on the basis of periodic estimates of ore reserves.

Concessions are periodically assessed for impairment of value and any diminution in value is charged to operations at the time of impairment.  Should a concession be abandoned, its capitalized costs are charged to operations.  The Company charges to operations the allocable portion of capitalized costs attributable to concessions sold.  Capitalized costs are allocated to concessions abandoned or sold based on the proportion of concessions abandoned or sold to the concessions remaining within the project area.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, after elimination of intercompany accounts and transactions.  The wholly owned subsidiary of the Company is listed in Note 1.

Property and Equipment

Property and equipment are recorded at cost. Major additions and improvements are capitalized. Minor replacements, maintenance and repairs that do not increase the useful life of the assets are expensed as incurred. Depreciation of property and equipment is determined using the straight-line or accelerated methods over the expected useful lives of the assets.  See Note 3.

Provision for Taxes

Income taxes are provided based upon the liability method of accounting pursuant to Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (hereinafter SFAS No. 109 ).  Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end.  A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the more likely than not standard imposed by SFAS No. 109 to allow recognition of such an asset.

At October 31, 2004, the Company had net deferred tax assets calculated at an expected rate of 34% of approximately $4,000,000, principally arising from net operating loss carryforwards for income tax purposes. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the net deferred tax asset, there is a valuation allowance equal to the net deferred tax asset.

The significant components of the deferred tax assets at October 31, 2004 and 2003 were as follows:

| | | October 31, 2004 | | October 31, 2003 |
|---|---|---|---|---|
| Net operating loss carryforward | $ | 11,800,000 | $ | 6,800,000 |
| | | | | |
| Deferred tax asset | $ | 4,000,000 | $ | 2,300,000 |
| Deferred tax asset valuation allowance | $ | (4,000,000) | $ | (2,300,000) |

At October 31, 2004, the Company has net operating loss carryforwards of approximately $11,800,000, which expire in the years 2008 through 2024. The Company has recognized approximately $1,483,000 of losses from the issuance of stock options and warrants for services through fiscal 2004, which were not deductible for tax purposes. The change in the allowance account from October 31, 2003 to 2004 was $1,700,000. The Company has immaterial temporary differences resulting from differences in tax depreciation of equipment.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 153. This Statement addresses the measurement of exchanges of nonmonetary assets. The guidance in APB Opinion No. 29, Accounting for Nonmonetary Transactions, is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. This statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This statement is effective for financial statements for fiscal years beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges incurred during fiscal years beginning after the date of this statement is issued. Management believes the adoption of this statement will not impact the financial statements of the Company.

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 152, which amends SFAS Statement No. 66, Accounting for Sales of Real Estate, to reference the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position (SOP) 04-2, Accounting for Real Estate Time-Sharing Transactions. This statement also amends SFAS No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects, to state that the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects, does not apply to real estate time-sharing transactions. The accounting for those operations and costs is subject to the guidance in SOP 04-2. This statement is effective for financial statements for fiscal years beginning after June 15, 2005. Management believes the adoption of this Statement will not impact the financial statements of the Company.

In November 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 151, Inventory Costs an amendment of ARB No. 43, Chapter 4 (hereinafter SFAS No. 151 ). This statement amends the guidance in ARB No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Under some circumstances, SFAS No. 151 mandates that items such as idle facility expense, excessive spoilage, double freight, and re-handling costs be recognized as current-period charges. In addition, this statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Management believes the adoption of this statement will not have immediate material impact on the financial statements of the Company, as the Company maintains no inventory.

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 beginning after June 15, 2003. Management believes the adoption of this Statement will not impact the financial statements of the Company.

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 for derivative instruments, 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.

Revenue Recognition Policy

The Company recognizes revenue when there is a mutually executed contract, the contract price is fixed and determinable, delivery of the product has occurred, and collectibility of the contract price is considered probable. As of October 31, 2004, the Company has not recognized revenues.

Stock-Based Compensation

Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (hereinafter SFAS No. 123 ), defines a fair value-based method of accounting for stock options and other equity instruments. The Company has adopted this method, which measures compensation costs based on the estimated fair value of the award and recognizes that cost over the service period.

**NOTE 3 PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost. Depreciation is provided using the straight-line or accelerated methods over the estimated useful lives of the assets. The useful lives of property, plant and equipment for purposes of computing depreciation are five to seven years for equipment, and 39 years for buildings. The following is a summary of property, equipment, and accumulated depreciation at October 31, 2004 and 2003:

| | | **2004** | | **2003** |
|---|---|---|---|---|
| Mining equipment | $ | 507,257 | $ | 202,144 |
| Buildings and structures | | 141,061 | | 141,061 |
| Land - non mineral | | 15,839 | | 15,839 |
| Vehicles | | 42,068 | | 25,301 |
| Computer equipment | | 88,787 | | 81,922 |
| Office equipment | | 4,183 | | 4,183 |
| Furniture and fixtures | | 8,185 | | 8,185 |
| | | 807,380 | | 478,635 |
| Less: Accumulated depreciation | | (240,537) | | (177,493) |
| | $ | 566,843 | $ | 301,142 |

Depreciation expense for the years ended October 31, 2004 and 2003 was $63,045 and $42,833, respectively.  The Company evaluates the recoverability of property and equipment when events and circumstances indicate that such assets might be impaired.  The Company determines impairment by comparing the undiscounted future cash flows estimated to be generated by these assets to their respective carrying amounts.  Maintenance and repairs are expensed as incurred.  Replacements and betterments are capitalized.  The cost and related reserves of assets sold or retired are removed from the accounts, and any resulting gain or loss is reflected in results of operations.

**NOTE 4    PROPERTIES   CONCESSIONS**

Sierra Mojada Mining District Concessions

During the period of August 23, 1996 to July 18, 2000, the Company executed six separate agreements for the acquisition of eight concessions in the mining region known as the Sierra Mojada District located in Sierra Mojada, Coahuila, Mexico.  Each agreement enabled the Company to explore the underlying concession in consideration for the payment of stipulated annual payments.  Each of the concession agreements included an option to purchase the concession and the annual payments were applied in full toward the contracted purchase price of the related concession.

The Company subsequently completed the purchase of the eight concessions, as follows:  Esmeralda, consisting of approximately 118 hectares, on March 20, 1997; Fortuna, consisting of approximately 14 hectares, on December 8, 1999; Sierra Mojada and Mojada 3, consisting of approximately 4,767 and 1,689 hectares, respectively, on May 30, 2000; Unificacion Mineros Nortenos and Vulcano, consisting of approximately 337 and 4 hectares, respectively, on August 30, 2000; Esmeralda I, consisting of approximately 98 hectares, on August 20, 2001; and La Blanca, consisting of approximately 34 hectares, on August 20, 2001.  The Company has recorded the concessions at acquisition cost.

All of the concessions were acquired by purchase agreements with Mexican entities and/or Mexican individuals and all of the concessions were paid for in cash.  In the acquisition of Sierra Mojada and Mojada 3 there was one purchase agreement for both concessions.  Also, in the acquisition of Unificacion Mineros Nortenos and Vulcano, there was one purchase agreement for both concessions.

Because all eight concessions are located in the Sierra Mojada Mining District and in close proximity to one another, the concessions are routinely treated as one major prospect area and are collectively referred to as the Sierra Mojada Project.  The primary work performed on the Company s concessions has consisted of geologic mapping, sampling, and drilling.  This work has resulted in establishing the presence of mineralized material (zinc) of sufficient quantity and grade to justify in the Company s opinion a feasibility study (which commenced in 2005, subsequent to the Company s October 31, 2004 fiscal year end).

**NOTE 5 LONG-TERM LIABILITIES**

The Company s long-term liabilities at October 31, 2004 and 2003 are as follows:

| | | 2004 | | 2003 |
|---|---|---|---|---|
| Note payable to bank, due July of 2008, monthly principal and interest payments at 4.94%, collateralized by a vehicle | $ | 15,783 | $ | 19,992 |
| Less: Current portion | | (4,209) | | (4,209) |
| | $ | 11,574 | $ | 15,783 |

Loan maturities for each of the five years following October 31, 2004 are as follows:

| | | |
|---|---|---|
| 2005 | $ | 4,111 |
| 2006 | | 4,319 |
| 2007 | | 4,537 |
| 2008 | | 2,816 |
| 2009 | | |
| | $ | 15,783 |

**NOTE 6 RELATED PARTY TRANSACTIONS**

The Company receives rent-free office space in Coeur d Alene, Idaho from its president. The value of the space is not considered materially significant for financial reporting purposes. The Company also has given $34,022 in cash advances for travel to two of its officers at October 31, 2004 under an accountable plan per IRS Regulation Section 1.62.

**NOTE 7 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 1,000,000 shares of $0.01 par value preferred stock. The specific features of the preferred stock are to be determined by the Company s board of directors. At October 31, 2004, there were no shares of preferred stock issued or outstanding.

**NOTE 8 COMMON STOCK**

During the year ended October 31, 2004, the Company issued 7,580,150 shares of common stock for cash consideration at $1.00 per share less issuance costs of $698,863. Officers of the Company were issued 120,655 shares at an average of $1.26 per share in payment of accrued

wages. The Company also issued 141,286 shares in exchange for services received. See Note 13.

During the year ended October 31, 2003, the Company sold 7,000 common stock units with an ascribed cash value of $10,500. The Company also sold 849,000 shares at an average price of $0.98 per share. The Company also issued 100,000 shares of common stock under the Penoles agreement for cash, at $2.00 per share. Additionally, 373,925 shares of common stock valued at $468,771 were issued as compensation to officers.

During the year ended October 31, 2002, the Company sold 162,667 common stock units with an ascribed cash value of $229,360 for common stock, and $14,640 for warrants. The Company also issued 50,000 shares of common stock under the Penoles agreement for cash at $2.00 a share. (See Note 12.) Additionally, 86,078 shares of common stock valued at $104,875 were issued as compensation to officers. On May 20, 2002, the Company authorized the offering of 1,000,000 common stock units, with each unit consisting of one share of common stock and one warrant equal to 1/3 of a share of common stock.

During the year ended October 31, 2001, the Company issued 20,000 shares of common stock for the exercise of warrants valued at $10,760 and for cash of $15,000. Additionally, 57,000 shares of common stock were issued for services valued at $112,680 and for cash of $390, and 250,000 shares of common stock with 125,000 warrants attached were issued for $500,000 in cash.

During the year ended October 31, 2000, the Company sold 1,440,500 shares of its common stock for $3,968,625 cash, issued 120,000 shares of common stock for services valued $153,360, issued 15,000 shares of common stock for equipment valued at $25,000 and issued 950,000 shares of common stock for options exercised at $0.86 per share.

During the year ended October 31, 1999, the Company sold 1,068,800 shares of common stock for $1,075,900 cash. In addition the Company received $37,500 as a deposit toward the purchase of 50,000 shares (this stock was issued in December 1999) and $300,000 for payment of subscriptions receivable. The Company also issued 55,556 shares for payment of drilling expenses valued at $50,000.

In February 1998, 200,000 shares of common stock were issued for a mine database. The shares were valued at $1.625 per share, resulting in a transaction valued at $325,000. Services valued at $22,300 were paid with 41,800 shares of common stock. An additional 1,398,500 shares of common stock were issued for $1,065,445 cash and receivables, and a subscription receivable of $300,000, between February and October 1998.

In April 1997, 250,000 common stock shares were issued for cash of $87,500 and 133,800 shares of common stock were issued for services valued at $45,583. In May and June 1997, 181,600shares of common stock were issued for $63,560 cash and 62,500 shares of common stock were issued for services valued at $21,875. In August and October 1997, 420,000 and 75,000 shares of common stock were issued for cash of $378,000 and $75,000, respectively. Additionally, during August 1997, 100,200 shares of common stock were issued for debt of $31,530 and 95,000 shares of common stock were issued for services valued at $95,000.

During November 1995, the Company s directors approved the issuance of 45,000 shares of common stock for services rendered at $0.01 per share. During June 1996, the Company issued 900,000 shares of common stock for the assignment of mineral rights in the Sierra Mojada Project in Coahuila, Mexico valued at $0.01 per share to Messrs. John Ryan, Merlin Bingham, and Daniel Gorski, who had formed a partnership to advance development of the mining concession located in Coahuila, Mexico. The partnership had an informal joint venture agreement with USMX, Inc. covering the mining concessions. By acquiring the partnership interest, the Company was able to negotiate and sign a formal joint venture agreement with USMX in July 1996.

During the year ended October 31, 1996, Metalline Mining Company issued 1,320,859 shares of common stock for $146,359 in cash. During October 1996, the Company issued 150,000 shares of common stock for computer equipment valued at $15,000. Also during October 1996, the Company issued 120,000 shares of common stock to Mr. Gorski and an additional 20,000 shares of common stock to Mr. Ryan for services rendered valued at $14,000.

In January 1996, Mr. Carmen Ridland, in a private sale, sold a controlling interest in the corporation to Mr. Howard Crosby. On January 12, 1996, Mr. Ridland transferred control of Cadgie Co. to Mr. Crosby and Mr. Robert Jorgensen.

On August 4, 1995 the directors of Cadgie Co. declared a 3:1 forward stock split of the outstanding Cadgie Co. shares, thus increasing the number of outstanding shares from 192,160 to 576,480.

On August 31, 1994, the directors of Cadgie Co. declared a 1:5 reverse stock split of the outstanding Cadgie Co. shares, thus reducing the number of outstanding shares from 960,800 to 192,160 shares.

The Company (Cadgie Co.) was formed in August of 1993 and incorporated in November 1993 by Mr. Carman Ridland of Las Vegas, Nevada as a spin-off from its predecessor, Precious Metal Mines, Inc. The Company issued 960,800 of its $0.01 par value shares to Precious Metal Mines, Inc. for 16 unpatented mining claims located near Philipsburg, Montana comprising the Kadex property group. Precious Metal Mines, Inc. distributed the 960,800 shares of Cadgie Company to its shareholders.  One share of Cadgie Co. was exchanged for each share of Precious Metal Mines, Inc. held by holders of record as of August 31, 1993.

**NOTE 9    STOCK OPTIONS**

During the years ended October 31, 2004 and 2003, the Company did not grant common stock options.

In 2002, the Company granted 100,000 options with an exercise price of $1.25 and an expiration of seven years.  The fair value of these options was determined using the Black-Scholes option pricing model using a risk free interest rate of 3.25% and a volatility of 42.49%.  The total value was calculated at $61,000.

Following is a summary of the Company s stock option activity during the years ending October 31, 2004 and 2003:

| | Shares | Weighted Average Exercise Price |
|---|---|---|
| Options outstanding at November 1, 2002 | 820,000 | $ 1.67 |
| Granted | | |
| Canceled | | |
| Exercised | | |
| Options outstanding at October 31, 2003 | 820,000 | 1.67 |
| Granted | | |
| Canceled | (100,000) | 2.15 |
| Exercised | | |
| Options outstanding at October 31, 2004 | 720,000 | $ 1.60 |

On March 1, 2001, the Company s shareholders approved a qualified stock option plan (the  Plan ), which provides for non-statutory and incentive stock options for employees, directors and consultants, and has reserved a total of 1,000,000 shares of common stock for issuance pursuant to the Plan.  Summarized information about stock options outstanding and exercisable at October 31, 2004 is as follows:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Exercise Price | Number Outstanding | Weighted Average Remaining Contractual Life (Years) | Weighted Average Exercise Price | Number Exercisable | Weighted Average Exercise Price |
| $ 1.25 | 100,000 | 4.77 | $ 1.25 | 100,000 | $ 1.25 |
| 1.32 | 320,000 | 1.93 | 1.32 | 320,000 | 1.32 |
| 1.75 | 100,000 | 3.35 | 1.75 | 100,000 | 1.75 |
| 2.15 | 200,000 | 5.33 | 2.15 | 200,000 | 2.15 |
| $ 1.25-2.15 | 720,000 | 3.47 | $ 1.60 | 720,000 | $ 1.60 |

**NOTE 10 WARRANTS**

The Company did not issue common stock warrants during the year ended October 31, 2004.

During the year ended October 31, 2003, the Company issued 7,000 common stock units that consisted of 7,000 shares of common stock and warrants to purchase an additional 2,333 shares of common stock. As part of the total cash purchase, the warrants were valued at $583.

During the year ended October 31, 2002, the Company issued 162,667 common stock units that were made up of 162,667 shares of common stock and warrants to purchase an additional 54,222 shares of common stock. As part of the total cash purchase, the warrants were valued at $14,640.

During the year ended October 31, 2001, the Company issued 250,000 shares of stock with 125,000 warrants attached. These warrants were valued at $3,424. Additionally 20,000 warrants were exercised for $15,000 in cash and services valued at $10,760. The Company also issued 80,000 warrants for services, which were valued at $144,791.

At October 31, 2000, there were outstanding warrants to purchase 996,500 shares of the Company s common stock, at prices ranging from $0.75 to $2.00 per share. The warrants, which became exercisable in 1999, but have not been exercised, expire at various dates through 2005. The Company has reserved 996,500 shares for the expected exercise of these warrants. These warrants were valued at $543,980 using the method described below.

The fair value of each warrant is estimated on the issue date using the Black-Scholes Option Price Calculation. The following assumptions were made in estimating fair value: risk free interest of 5%, volatility of 0.3 and 0.5 and expected life of 5 to 10 years.

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

Compliance with Environmental Regulations

The Company s mining activities are subject to laws and regulations controlling not only the exploration and mining of mineral properties, but also the effect of such activities on the environment. Compliance with such laws and regulations may necessitate additional capital outlays, affect the economics of a project, and cause changes or delays in the Company s activities.

Loss Contingencies

In December 2002, Minera Metalin, the Company s Mexican subsidiary, was named as a co-defendant in a lawsuit filed in Mexico regarding the Company s purchase of two mining concessions. During the year ended October 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 at October 31, 2004.

**NOTE 12 JOINT VENTURE AGREEMENTS**

Penoles Agreement

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 Mojada region of Coahuila, Mexico. The earn-in right was 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 $2.00 per share. As of October 31, 2003, Penoles had purchased 150,000 shares of common stock under this agreement. See Note 8.

During the year ended October 31, 2003, the Company received reimbursement of $151,536 from Penoles for expenses incurred by Metalline, which were applied toward an aggregate $85,712 of qualified expenditures incurred by Penoles. In November 2003, the agreement between the Company and Minas Penoles was terminated by the Company.

Northern Limited

On October 7, 1999, the Company announced that it entered into a five-year earn-in type of a joint venture agreement with North Limited. The agreement gives North Limited the right to earn into 60% of the Company s Sierra Mojada Project by providing all funds necessary to complete a feasibility study delivered in no more than five years that is acceptable to international banking institutions for lending development capital. North Limited is a large Australian mining company based in Melbourne, Australia and was known as North Broken Hill Peko before a name change in 1994. In August 2000, Rio Tinto Limited purchased North Limited for its iron ore holdings and subsequently terminated North Limited s agreement with the Company.

**NOTE 13 SUBSEQUENT EVENTS**

In December of 2004, the Company issued 139,272 shares of its common stock at $1.00 per share to officers in payment of accrued wages.

## EXHIBIT INDEX

| EXHIBIT NO. | EXHIBIT |
|---|---|
| 31.1 | Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act. Filed herewith. |
| 31.2 | Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act. Filed herewith. |
| 32.1 | Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350. Furnished herewith. |
| 32.2 | Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350. Furnished herewith. |