

## *Metalline Mining Company*

*1330 E. Margaret Avenue  
Coeur d'Alene, Idaho 83815*

Metalline Shareholders:

During 2000 significant progress was made at Sierra Mojada towards our objective of a producing mine. The highlights of the years work are that the size of the mineral system has been significantly increased, step out drilling extended the oxide zinc mineralization two kilometers to the west, and we completed the purchase of the Unificacion Mineros Nortenos concession which contains the San Salvador, Encantada and Fronteriza mines where the majority of the drilling and sampling has been done.

Metalline signed a Joint Venture agreement with North Limited of Australia in September of 1999. North completed a 26-hole reverse circulation drill program during 2000. Concurrent with the drill program underground mapping and channel sampling continued in the oxide zinc mantos. The results have been the subject of news releases throughout the year and are posted on our web site, [www.metalin.com](http://www.metalin.com).

The efforts were concentrated on the oxide zinc mineral system, south of the Sierra Mojada fault. Priority has shifted to the oxide zinc due to the development of Solvent Extraction Electro-Winning (SXEW) technology that allows sulfuric acid leaching of oxide zinc minerals and selective extraction of the zinc from the leach solutions by an organic complexing agent. The zinc in the extraction solution is then electrolytically reduced to refined SHG (99.995%) zinc. SXEW reduces the cost of producing zinc to \$0.25 per pound compared to \$0.35 per pound by the smelting process. The electrolytic reduction operation is carried out at the mine site and requires a mine with reserves that contain a minimum of 2 million tonnes of zinc in order to justify the approximately \$250 million mine and reduction plant. Sierra Mojada is one of the few known oxide zinc deposits in the world that is large enough to meet and exceed this requirement.

In August Rio Tinto Limited purchased North Limited for their iron ore holdings. Rio terminated the Joint Venture, in early October, because it was not a project that matched its corporate objectives, which are iron, coal and copper deposits. Since October we have been showing the property to major mining companies interested in a Joint Venture on Sierra Mojada. Response has been very positive and negotiations for Joint Venture are in progress. Channel sampling and drilling continue and results will be announced as assays are received and the data compiled and interpreted.

2000 has been a successful year and we look forward to obtaining a new Joint Venture partner and continuing the development of a zinc reserve.

Finally, I would like to thank the staff in the U.S. and Mexico for their diligent efforts and our shareholders for their financial support without which we would not have been able to carry the project forward.

Sincerely

Merlin Bingham  
President