

Metalline Mining Company

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President's Letter to Metalline Mining Company Shareholders

In January 2004 Metalline activated its Hagby drill and commenced a diamond drilling program to continue to define an oxide zinc reserve on its mining concessions near Sierra Mojada, Coahuila, Mexico. Three additional drills were added April through July. To date 184 holes have been drilled with a total of 18,238 meters of drilling completed.

Drilling continues with the objective of defining the limits of the Iron Oxide (Red Zinc) Manto and to determine its grade. In addition, the Smithsonite (White Zinc) manto will be drilled to determine its character and extent in the San Salvador and Encantada mines.

Reserva International LLC of Reno, Nevada has been retained to evaluate and model the Sierra Mojada data. Reserva specializes in reserve/resource evaluation for the mining industry internationally. Tim Carew formed Reserva in 2003 and is its Principal. Tim was formerly the manager of Gemcom (USA), Inc, the US subsidiary of Gemcom Software International Inc. He joined Gemcom in 1994 following over 25 years in the mining industry in the US and Africa.

Reserva has completed a preliminary block model evaluation of the oxide zinc manto's diamond drill, channel sample and percussion drill data. The block model result for the Iron Oxide (Red Zinc) manto is 22.6 million metric tons grading 8.11% using a cut off grade of 5%, which equates to 1.8 million tons of contained zinc metal. These results are being reviewed in a technical audit by SRK, a leading engineering company located in Johannesburg, South Africa.

Block Modeling is the one of the most common methods of evaluating ore reserves/resources developed by the mining industry to date. The block model was done using Gemcom mine modeling software. The volume of sampled mineralization is divided up into blocks of rectangular dimensions - for Sierra Mojada the blocks are 10 meters by 10 meters horizontally and 5 meters vertically. The estimated grade assigned to each block is a weighted average of the grades of samples that are located in the near neighborhood, or search volume, of the block. Using a method known as Kriging, the actual weight assigned to each sample within the search volume is calculated so as to minimize the inevitable error made when estimating the value of the block. The procedure makes use of a mathematical function known as a variogram, which describes the spatial variation of the values within the deposit. This ensures that both the direction and distance of the samples from the block center are catered

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for, since the deposit may have greater continuity in a particular direction. The average grade of the mineralization above the cut off of 5% is determined as a tonnage weighted average of all the blocks whose estimated grade is greater than or equal to this cut off grade.

1.8 million tons of contained zinc metal satisfies the required metal content for a solvent extraction electrowinning plant at Sierra Mojada and the commencement of a feasibility study where the metallurgy, mining method, extraction plant and the related economics are determined and financial analysis are applied to determine the project profitability.

Green Team International has been retained to do a feasibility study on Sierra Mojada. Green Team Consultants International cc is a South African based company that completed over the period January 1998 to August 2003 a Bankable Feasibility Study for and subsequent Project Management of the design, construction and commissioning of a US\$500 million 150,000 t/a Zinc Mine and Refinery for Anglo American Corporation PLC at Rosh Pinah in Namibia; the Skorpion Zinc project.

Skorpion is now in production and the solvent extraction process and the mine are very successful, with production at near 150,000 tons per annum at about \$550 per metric ton zinc (\$0.25 per pound). Essentially all world zinc production is produced from sulfide ore by the smelting process at about \$770 per metric ton (\$0.35 per pound). Only Skorpion, Mae Sod, in Thailand, and a few other mines produce zinc from oxide ore.

Project work over the previous 7 years has proven to be successful and the data indicates that a mine and SHG zinc solvent extraction electrowinning plant is possible. However, much work remains to be completed to prove this. If successful, Sierra Mojada may be among the world's largest zinc mines and one of the lowest cost producers in the zinc industry.

Metalline management recognizes the value of the efforts and hard work expended by its employees and contractors in accomplishing this work and greatly appreciates their contribution to the progress of the project. We thank all of our shareholders for the support that makes all of this possible.

Sincerely

Merlin Bingham
President