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*OTC Bulletin Board: MMGG*

## **Letter to Metalline Shareholders - December 31, 1999**

### President's Letter to Metalline Shareholders

1999 has been a very productive year for Metalline. We completed the first reserve development drill program and acquired a project funding Joint Venture partner. We will continue to develop an ore reserve in 2000.

1999 began with a continuation of the geologic mapping and sampling of the district mines and compilation and analysis of historic data. This work resulted in the selection of the San Salvador, Encantada and Fronteriza mines to further explore and evaluate with a surface reverse circulation drilling program. During the year we completed 24 drill holes totaling 6630 meters (21,746 feet). 15 holes were drilled in the Encantada North silver, copper, zinc, lead system and 9 holes were drilled in the San Salvador, Encantada, and Fronteriza oxide zinc manto system. The outstanding results of this program were disseminated in News Releases dated February 17, March 24, June 14 and August 31, 1999. Underground geologic mapping and channel sampling continued during the drilling and has proved to be very successful in expanding the vertical and horizontal dimensions of the ore. To date we have collected over 2500 channel samples. All data has been compiled into a Gemcom Mine Software database for evaluation. Volume and grade calculations are currently in progress and the results will be announced in the near future.

During the year numerous major mining companies thoroughly examined and evaluated the Sierra Mojada property and the accumulated data and made Joint Venture proposals. North Limited's proposal was accepted and announced in our News Release dated October 7, 1999. The agreement with North is a major financial milestone. Metalline owns 100% of the Sierra Mojada project. The agreement gives North the right to earn into 60% of the project by providing all funds necessary to complete a feasibility study 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. North is an international mining company dedicated to natural resource development that produces iron, uranium, base and precious metals and forestry products. North has an excellent Web site ([www.north.com.au](http://www.north.com.au)) where information on the company can be acquired. Metalline will have a Web site completed very soon at [www.metalin.com](http://www.metalin.com).

North has been integrating into Metalline's development program at Sierra Mojada during November and December and will take over operations when work resumes on January 3, 2000. The Joint Venture provides Metalline with an active role in the planning of the program and the opportunity to receive and disseminate to our shareholders and the public the results of the work as it is acquired and evaluated. The Joint Venture is planned and budgeted in 6-month intervals, the first of these meetings was held in Denver, Colorado on December 12, 1999. Sierra Mojada is North's highest priority project in Mexico and a very aggressive program was planned. The number of project geologists will be increased to 5 with support crews consisting of surveyors, samplers and access development crews. The program concentrates on continued geologic mapping and channel sampling. Geophysical raw data collected by Kennecott will be recompiled and evaluated. This data includes Induced Polarization, Electromagnetic and Magnetic surveys. A Gravity Survey of the District will be

completed early in the program. Gravity Surveys measure the relative densities of the different rock units in the subsurface. The ore bearing units have much higher densities than the barren units and consequently the ore units will appear as gravity highs. Gravity is an expensive geophysical technique but it is the best geophysical method for the mineral systems at Sierra Mojada. Drilling will resume when the above work is completed and additional drill targets selected. The objective of the 6-month program is to continue to evaluate and expand the limits of the known ore bodies and to explore for continuations of these systems. The oxide zinc system is known and has been selectively mined, extracting only the high-grade ore that could be shipped directly to smelters, for 1500 meters in the San Salvador, Encantada and Fronteriza mines. In these mines the oxide zinc manto occurs below the old silver-lead manto, which was mined continuously for 3000 meters and discontinuously for an additional 2000 meters. The oxide zinc manto has a high probability of continuing to the west for at least another 1500 meters below the silver-lead manto. This 1500 meters is totally unexplored and the oxide zinc system has been intermittently mined an additional 2000 meters to the west and an additional 1000 meters to the east. The goal for the first 6-month program is to have an indicated resource of 2 million tonnes of contained zinc metal by July, 2000. The allocated budget is more than sufficient to attain this objective. For perspective, 2 million tonnes of zinc metal at \$0.64 per lb is \$2.8 billion. If mined at a rate of 5000 tonnes per day Sierra Mojada would be the 5th largest zinc mine in the world.

Metalline filed a Form 10SB with the Securities and Exchange Commission on October 15, 1999, which was declared effective by the Commission on December 2, 1999 per a request for acceleration by the Company. Metalline is listed with Standard and Poors.

Also, some management changes occurred in October. John Ryan resigned as an Officer and Director on October 28, 1999 and Wayne Schoonmaker was appointed and has accepted the position of Secretary. Wayne is a Certified Public Accountant and was in charge of accounting for ASARCO's Northwest Operations headquartered in the Coeur d'Alene District, Wallace, Idaho. Wayne has 35 years of mining industry accounting experience.

1999 has been, not only productive; it has also been a challenging and satisfying year. We have made significant progress towards establishing a mine at Sierra Mojada. I thank all of our shareholders for their support and confidence in the project and the Company. The Management extends our best regards for the New Year and look forward to another productive and successful year, to 2000 thousand tonnes of zinc.

Sincerely

Merlin Bingham  
President

*Cautionary Note to Investors*

Metalline is an exploration stage company and does not currently have any known reserves and cannot be expected to have reserves unless and until a feasibility study is completed for the Sierra Mojada property that shows proven and probable reserves.

*Forward-Looking Statements*

This letter contains forward-looking statements regarding future events and Metalline's future results that are subject to the safe harbors created under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934. These statements are based on current expectations, estimates, forecasts, and projections about the industry in which Metalline operates and the beliefs and assumptions of Metalline's management. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," "continues," "may," "will," variations of such words, and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of Metalline's future financial performance, Metalline's anticipated growth and potentials in its business, the mining industry, the demand and prices for metals, 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 Metalline's Annual Report on Form 10-KSB for the fiscal year ended October 31, 2005 under "Risk Factors." Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Metalline undertakes no obligation to revise or update any forward-looking statements for any reason.