METALLINE MINING CO
Form 10-Q
September 14, 2009

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

R **QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED July 31, 2009.

£ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD OF _________ TO _________.

Commission File Number: 001-33125

METALLINE MINING COMPANY

(Exact name of registrant as specified in its charter)

Nevada	**91-1766677**
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)

1330 E. Margaret Ave., Coeur d Alene, ID 83815

(Address of principal executive offices, including zip code)

Registrant s telephone number: **(208) 665-2002**

Indicate by check mark whether the registrant (1) 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 that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes R No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company:

Large accelerated filer o

Accelerated filer o

Non-accelerated filer o

Smaller reporting Company R

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No R

As of September 8, 2009, there were 45,098,579 shares of the Registrant's $.01 par value Common Stock ("Common Stock"), the Registrant's only outstanding class of voting securities, outstanding

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

METALLINE MINING COMPANY

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JULY 31, 2009

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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

METALLINE MINING COMPANY

(AN EXPLORATION STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS

	July 31, 2009	**October 31, 2008**
ASSETS		
CURRENT ASSETS		
	$	$
Cash and cash equivalents	880,229	2,228,778
Other receivables	14,186	31,741
Prepaid expenses	22,173	23,025
Total Current Assets	916,588	2,283,544
PROPERTY CONCESSIONS		
Sierra Mojada District (Note 4)	3,668,147	3,771,029
EQUIPMENT		
Office and mining equipment, net of accumulated depreciation		
of $633,473 and $492,647, respectively (Note 5)	1,038,988	1,219,726
OTHER ASSETS		
Value-added tax receivable, net of allowance for uncollectible taxes of $214,403 and $220,416, respectively (Note 3)	681,158	543,554
	$	$
TOTAL ASSETS	6,304,881	7,817,853
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
	$	$
Accounts payable	84,100	133,318

Income tax payable	1,022	17,653
Deferred salaries and costs	257,394	
Accrued liabilities and expenses	254,007	189,663
Other liabilities	37,500	37,500
Total Current Liabilities	634,023	378,134
COMMITMENTS AND CONTINGENCIES (Notes 6 and 10)		
STOCKHOLDERS EQUITY (Notes 7, 8 and 9)		
Common stock, $0.01 par value; 160,000,000 shares authorized,		
44,562,667 and 39,709,427 shares issued and outstanding, respectively	445,626	397,094
Additional paid-in capital	53,501,330	51,753,400
Deficit accumulated during exploration stage	(50,984,131)	(47,066,815)
Other comprehensive income (loss)	2,708,033	2,356,040
Total Stockholders Equity	5,670,858	7,439,719
	$	$
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	6,304,881	7,817,853

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

METALLINE MINING COMPANY

(AN EXPLORATION STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended July 31,		Nine Months Ended July 31,		Period from November 8, 1993 (Inception) to July 31,
	2009	**2008**	**2009**	**2008**	**2009**
	$	$	$	$	$
REVENUES					
EXPLORATION AND PROPERTY HOLDING COSTS					
Exploration and property holding costs	297,815	927,369	1,096,203	2,315,044	16,814,523
Depreciation and asset write-off	43,637	50,092	132,312	156,295	833,281
TOTAL EXPLORATION AND PROPERY HOLDING COSTS	341,452	977,461	1,228,515	2,471,339	17,647,804
GENERAL AND ADMINISTRATIVE EXPENSES					
Salaries and payroll expenses	323,649	467,434	1,163,012	1,574,977	13,051,495
Office and administrative expenses	76,406	91,550	212,371	380,662	2,671,662
Professional services	122,946	816,083	551,596	1,687,914	10,650,213
Directors fees	63,097	143,205	231,135	467,127	3,090,554
Provision for uncollectible value-added taxes	---	---	---	---	220,416

Depreciation	4,388	5,671	16,014	18,647	215,795
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	590,486	1,523,943	2,174,128	4,129,327	29,900,135
LOSS FROM OPERATIONS	(931,938)	(2,501,404)	(3,402,643)	(6,600,666)	(47,547,939)
OTHER INCOME (EXPENSES)					
Interest and investment income	186	16,932	1,363	139,285	837,230
Foreign currency transaction gain (loss)	763,554	697,637	(516,475)	1,023,511	(4,104,530)
Miscellaneous ore sales, net of expenses	---	---	---	---	134,242
Miscellaneous income	---	---	---	17	82,351
Interest and financing expense	---	---	---	---	(289,230)
TOTAL OTHER INCOME (EXPENSE)	763,740	714,569	(515,112)	1,162,813	(3,339,937)
LOSS BEFORE INCOME TAXES	(168,198)	(1,786,835)	(3,917,755)	(5,437,853)	(50,887,876)
INCOME TAXES	8,964	23,447	(439)	63,639	96,255
NET LOSS	$ (177,162)	$ (1,810,282)	$ (3,917,316)	$ (5,501,492)	$ (50,984,131)
OTHER COMPREHENSIVE INCOME (LOSS) Foreign currency translation adjustments	(566,461)	(404,143)	351,993	(602,591)	2,708,033
COMPREHENSIVE LOSS	$ (743,623)	$ (2,214,425)	$ (3,565,323)	$ (6,104,083)	$ (48,276,098)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	$ *	$ (0.05)	$ (0.10)	$ (0.14)	
BASIC AND DILUTED	40,855,922	39,644,979	40,110,549	39,551,259	

WEIGHTED AVERAGE
NUMBER OF COMMON
SHARES OUTSTANDING

* Less than $ (0.01) per share

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

METALLINE MINING COMPANY

(AN EXPLORATION STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended July 31, 2009	Nine Months Ended July 31, 2008	Period from November 8, 1993 (Inception) to July 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (3,917,316)	$ (5,501,492)	$ (50,984,131)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation and equipment write-off	148,279	175,071	1,051,476
Provision for uncollectible value-added taxes			220,416
Noncash expenses			126,864
Foreign currency transaction loss (gain)	477,531	(1,004,633)	4,248,566
Common stock issued for services			1,237,047
Common stock issued for compensation		82,840	1,059,946
Options issued for compensation	578,616	1,263,425	6,972,238
Common stock issued for directors fees	28,836	231,000	579,948
Options and warrants issued for directors fees			1,665,705
Stock options issued for services			849,892
Stock options issued for financing fees			276,000
Common stock issued for payment of expenses			326,527
Stock warrants issued for services		30,689	1,934,557
(Increase) decrease in:			

Accounts receivable			
Value added tax receivable	(147,648)	(462,436)	(1,056,620)
Other receivables	16,385	(1,234)	(20,662)
Prepaid taxes and expenses	594	(22,467)	(23,512)
Increase (decrease) in:			
Accounts payable	(49,567)	259,075	83,714
Accounts payable - related parties		(68,460)	
Income tax payable	(15,643)	(2,811)	4,599
Accrued liabilities and expenses	67,308	134,771	289,575
Deferred salaries and costs	257,394		257,394
Other liabilities	991	(23,431)	44,267
Net cash used by operating activities	(2,554,240)	(4,910,093)	(30,856,194)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments			(21,609,447)
Proceeds from investment sales		7,900,000	21,609,447
Equipment purchases	(4,136)	(788,249)	(2,322,510)
Mining property acquisitions			(4,632,037)
Net cash provided by (used by) investing activities	(4,136)	7,111,751	(6,954,547)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from sales of common stock	1,189,010		34,568,217
Proceeds from sales of options and warrants			949,890
Proceeds from exercise of warrants		476,563	3,447,966
Proceeds from shareholder loans			30,000
Payment of note payable			(15,783)
Net cash provided by financing activities:	1,189,010	476,563	38,980,290
Effect of exchange rates on cash	20,817	(30,389)	(289,320)
Net increase (decrease) in cash and cash equivalents	(1,348,549)	2,647,832	880,229
Cash and cash equivalents beginning of period	2,228,778	1,434,487	
	$	$	$
Cash and cash equivalents end of period	880,229	4,082,319	880,229

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

4

METALLINE MINING COMPANY

(AN EXPLORATION STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Nine Months Ended July 31, 2009	Nine Months Ended July 31, 2008	Period from November 8, 1993 (Inception) to July 31, 2009
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
Income taxes paid	$ 10,374	$ 66,655	$ 85,785
Interest paid	$	$	$ 286,771
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Common stock issued for equipment	$	$	$ 25,000
Common stock options issued for financing fees	$	$	$ 276,000
Common stock options issued for non-cash options	$	$	$ 59,220

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

NOTE 1 ORGANIZATION, DESCRIPTION OF BUSINESS, GOING CONCERN AND MANAGEMENT PLANS

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 properties. 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 has not realized any revenues from its planned operations and is considered an Exploration Stage Company.

The Company expects to engage in the business of mining. The Company currently owns several mining concessions in Mexico (collectively known as the Sierra Mojada Property). The Company conducts its operations in Mexico through its wholly owned subsidiary corporations, Minera Metalin S.A. de C.V. (Minera Metalin) and Contratistas de Sierra Mojada S.A. de C.V (Contratistas).

The Company s efforts have been concentrated in expenditures related to exploration properties, principally in the Sierra Mojada project located in Coahuila, Mexico. The Company has not determined whether the exploration properties contain ore reserves that are economically recoverable. The ultimate realization of the Company s investment in exploration properties is dependent upon the success of future property 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 properties 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 properties, has been made in the accompanying financial statements.

Going Concern and Management Plans

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. Since its inception in November 1993, the Company has not generated revenue and has incurred a net loss of $50,984,131 from inception through July 31, 2009. Accordingly, the Company has not generated cash flow from operations and has primarily relied upon private placements of its common stock and proceeds from warrant exercises to fund its operations. As of July 31, 2009, the Company has working capital of $282,565, which may not be sufficient to fund the Company s operations over the next twelve months. These conditions raise substantial doubt about the Company s ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets, or the amounts or classification of liabilities that may result from the possible inability of the Company to continue as a going concern. Management s plans with regards to these conditions are described below.

Management has scaled back its exploration activities and reduced administrative costs to conserve capital while the Company tries to secure additional sources of capital to fund its operations and continue exploration of the Sierra Mojada Project. The Company has scaled back its drilling activities from five drills operating at two shifts per day to two drills operating at one shift per day. In addition, the Company s officers and independent directors have agreed to defer a significant portion of their cash compensation until sufficient capital has been raised to continue its operations. Effective February 1, 2009, the executive officers and corporate employees entered into salary deferral agreements for 25% to 50% of their compensation while independent directors have agreed to defer 100% of the cash portion of their director s fees. In addition, a financial consultant agreed to defer 50% of his monthly fee. As of July 31, 2009, the Company has deferred total salaries, fees, and costs of $257,394 and this amount is included in deferred salaries and costs on the Company s consolidating balance sheet.

Management is exploring various sources of additional capital including additional equity funding, joint venture participation, strategic partner and smelter and metal trading companies willing to fund projects for a commitment of product. The weak US and global economy combined with instability in global financial and capital markets have currently limited the availability of this funding. If the disruptions in the global financial and capital markets continue, debt or equity financing may not be available to us on acceptable terms, if at all. If we are unable to fund

NOTE 1 ORGANIZATION, DESCRIPTION OF BUSINESS, GOING CONCERN AND MANAGEMENT PLANS (continued)

future operations by way of financing, including public or private offerings of equity or debt securities, our business, financial condition and results of operations will be adversely impacted.

On May 1, 2009 the Company received a notice of deficiency from the NYSE Amex LLC (formerly American Stock Exchange (the "Exchange")) which could result in the delisting of our common stock from the Exchange. The notice stated that Metalline does not currently meet Section 1003(a)(iii) of the NYSE Amex LLC Company Guide (the "Company Guide") which requires listed issuers that have sustained losses from continuing operations and/or net losses in its five most recent fiscal years to maintain stockholders' equity of at least $6,000,000. The notice also stated that Metalline is not in compliance with Section 1003(a)(iv) of the Company Guide which provides that as a result of our sustained substantial losses or as a result of our existing financial sources that it appears questionable, in the opinion of the Exchange, as to whether Metalline will be able to continue operations and/or meet our obligations as they mature.

On June 1, 2009, the Company submitted a plan of compliance addressing how we intend to regain compliance with the Exchange's continued listing standards. On July 13, 2009 the Exchange notified Metalline that Metalline has been granted an extension to regain compliance with the continued listing standards set forth in the Company Guide. As such, and subject to certain conditions, Metalline's common stock will continue to be listed on the Exchange during the extension period. The Company is subject to ongoing review by the Exchange and there can be no assurance that Metalline will be able to implement the plan within the prescribed timeframe.

NOTE 2 BASIS OF PRESENTATION

These unaudited interim financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Regulation S-K as promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles in the United States of America for complete financial statements. These unaudited interim financial statements should be read in conjunction with the audited financial statements for the year ended October 31, 2008. In the opinion of management, the unaudited interim financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim period presented.

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of the Company's financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions and could have a material effect on the reported amounts of the Company's financial position and results of operations.

Operating results for the three-months and nine-months ended July 31, 2009 are not necessarily indicative of the results that may be expected for the year ending October 31, 2009.

We have performed an evaluation of subsequent events through September 14, 2009, the date these financial statements were issued. Subsequent events have been disclosed in the related footnotes.

NOTE 3 - 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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Concentration of Risk

The Company maintains its domestic cash and marketable securities in a commercial depository account and a brokerage account. The commercial depository account and bank deposits held in the brokerage account are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000. The brokerage account typically includes short-term highly liquid fixed income securities such as United States Treasury Bills, money market funds, and certificates of deposit. As of July 31, 2009, the Company did not hold any fixed income investments. The Company also maintains cash in banks in Mexico. These accounts, which had U.S. dollar balances of $26,433 and $157,843 at July 31, 2009 and October 31, 2008, respectively, are denominated in pesos and are considered uninsured. At July 31, 2009, the Company s cash balances and marketable securities included $607,376 which was not federally insured.

Earnings Per Share

The Company has adopted Statement of Financial Accounting Standards (SFAS) No. 128 Earnings per Share , 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 of 21,430,207 shares and 18,346,568 shares outstanding at July 31, 2009 and 2008, respectively, they were not included in the calculation of earnings per share because they would have been considered anti-dilutive.

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 nine months ended July 31, 2009 and 2008 were $1,096,203 and $2,315,044, respectively. The exploration costs expensed to date during the Company s exploration stage amount to $16,814,523.

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. Intercompany transactions and balances with the Company s Mexican subsidiaries are considered to be short-term in nature and accordingly all foreign currency transaction gains and losses on intercompany loans are included in the consolidated statement of operations.

Foreign Operations

The accompanying balance sheet at July 31, 2009 contains Company assets in Mexico, including: $3,668,147 in mineral properties; $1,575,246 (before accumulated depreciation) of property and equipment; $681,158 in value-added tax receivable; and $26,433 of cash. Although this country is generally considered economically stable, it is

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Value-Added Tax Receivable

The Company records a receivable for value added (IVA) taxes recoverable from Mexican authorities on goods and services purchased by its Mexican subsidiaries. As of July 31, 2009, the Company has filed IVA tax returns with the Mexican authorities to recover approximately $644,000 of IVA taxes paid by its Mexican subsidiaries from 2005 through 2007. During 2008, the Mexican authorities requested the Company to provide copies of supporting documentation for amounts filed. The Company worked extensively with the Mexican authorities to provide the requested documentation and answer questions related to these tax returns, but was unable to recover the IVA tax amounts. In September 2008, the Company hired an IVA tax consultant that has worked for this branch of the Mexican government and has extensive experience with recovering IVA taxes. The IVA tax consultant has performed an initial review of the IVA tax returns for 2005, 2006, and 2007 and suggested the Company eliminate certain small dollar items and items that lack clear and evident supporting documentation to expedite recovery of these IVA tax amounts. The IVA tax consultant has prepared a revised schedule of IVA tax amounts and has completed a detailed review of these items to ensure that there is clear and sufficient supporting documentation for the Mexican authorities. The Company presented the revised IVA tax returns along with detailed supporting documentation to the Mexican authorities in March 2009. The Company has performed similar procedures on the 2008 IVA tax amounts and has submitted nine months of returns for 2008. Management of the Company believes that the Company has assembled sufficient documentation to support the IVA amounts. However, the Company anticipates that the Mexican authorities could continue to challenge items presented on the revised returns which could delay recovery of these amounts or reduce the amount recovered. Accordingly, the Company reviewed the estimated collectability of the IVA tax amounts for each year and established an allowance for uncollectible taxes of $220,416 at October 31, 2008. In addition, the Company classified the IVA tax receivable as a long-term asset on the Consolidated Balance Sheet as of October 31, 2008 due to the uncertainty regarding the timing when these amounts will be recovered.

In June 2009, the Company received a notice from the Mexican authorities requesting further information on the 2005 to 2007 IVA tax returns and a letter from the Company describing the corporate background and operations of both Metalline and Minera. The Company quickly gathered this information and presented it to the Mexican authorities later that month.

In July 2009, the Company was notified that the 2005 to 2007 IVA tax returns were going to be rejected because the auditors assigned to review our returns did not understand the relationship between Metalline and Minera. The Company met with senior government officials in charge of our returns on at least two different occasions and agreed that the Company had appropriately provided the requested information and the returns appeared to be complete and accurate. However, the Mexican authorities asked the Company to prepare a letter to confirm certain facts with regards to the relationship between Metalline and Minera and to re-file the respective IVA tax returns. In early September 2009, the Company met with the Mexican authorities and presented the letter along with the respective

IVA tax returns. Based upon earlier discussions with the senior government officials, the Company believes the most recent returns will be accepted as filed. However, given the continued uncertainty as to ultimate collection of these taxes, the Company will continue to maintain an allowance for uncollectible taxes of $214,403 and reflect the IVA tax receivable as a long-term asset on the Consolidated Balance Sheet as of July 31, 2009.

Marketable Securities

The Company accounts for its marketable securities in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities (SFAS No. 115) and classifies marketable securities as trading, available-for-sale, or held-to-maturity. Marketable securities include investments with maturities greater than three months, but not exceeding twelve months. As of July 31, 2009, the Company did not have marketable securities.

During the three months ended January 31, 2008, the Company sold all of its auction rate securities for no gain or loss and invested the proceeds in short-term US treasury securities. The Company does not anticipate investing in auction rate securities in the near future given the increased liquidity risk associated with failed auctions for these securities.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting for Loss Contingencies and Legal Costs

From time to time, the Company is named as a defendant in legal actions arising from our normal business activities. The Company accounts for contingencies such as these in accordance with SFAS No. 5, *"Accounting for Contingencies,"* and records an estimated loss contingency when information available prior to issuance of our financial statements indicates that it is probable that a loss has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The consolidated financial statements do not reflect any material amounts related to possible unfavorable outcomes of claims and lawsuits to which we are currently a party because we currently believe that such claims and lawsuits are not expected, individually or in the aggregate, to result in a material adverse effect on our financial condition. However, it is possible that these contingencies could materially affect our results of operations, financial position and cash flows in a particular period if we change our assessment of the likely outcome of these matters. Legal costs incurred in connection with loss contingencies are considered period costs and accordingly are expensed as incurred.

Income Taxes

Income taxes are provided based upon the liability method of accounting pursuant to SFAS 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.

Effective November 1, 2007, the Company adopted Financial Accounting Standards Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (FIN 48), an interpretation of Financial Accounting Standards Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires that the Company recognize in its financial statements the impact of uncertain tax positions. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods and disclosure. See Note 11 to consolidated financial statements for the fiscal year ended October 31, 2008 for discussion of FIN 48 and impact it had on the Company s financial position and results of operations.

Recently Adopted Accounting Pronouncements

On November 1, 2008, the Company adopted Statement of Financial Accounting Standards ("FAS") No. 157, *Fair Value Measurements* ("FAS 157"). FAS 157 defines fair value, addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under GAAP, and expands disclosures about fair value measurements. FAS 157 is applied prospectively for financial assets and liabilities measured on a recurring basis as of November 1, 2008. In February 2008, the FASB issued FASB Staff Position No. 157-2, *Effective Dates of FASB Statement no. 157* (FSP 157-2) which delayed the effective date of FAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The provisions of FSP 157-2 are effective for the Company s fiscal year beginning November 1, 2009.

FAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following table sets forth our financial assets and liabilities as of July 31, 2009 measured at fair value by level within the fair value hierarchy. As required by FAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Description	Total	Level 1	Level 2	Level 3
Cash equivalents	$	$	$	$
	$	$	$	$

Cash equivalents are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. As of July 31, 2009, the Company did not have any cash equivalents that were required to be reported under FAS 157.

On November 1, 2008, the Company adopted FAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115* (SFAS 159). FAS 159 provides a choice to measure many financial instruments and certain other items at fair value on specified election dates and requires disclosures about the election of the fair value option. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The Company has chosen not to elect the fair value option for any financial or non-financial instruments as of the adoption date, thus the adoption of FAS 159 did not have an impact on the Company's financial position or results of operations.

Recently Issued Accounting Pronouncements and Developments

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162). This statement identifies sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements that are presented in conformity with GAAP in the United States. SFAS No. 162 moves the hierarchy of GAAP sources for non-governmental entities from the auditing literature to the accounting literature. This statement became effective November 15, 2008. Any effect of applying SFAS No. 162 should be reported as a change in accounting principle. SFAS 162 did not have a material impact on its financial position, results of operations, and cash flows.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* (SFAS 165), which provides guidance to establish general standards of accounting for and disclosures of events that occur after balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 is effective for interim or fiscal periods ending after June 15, 2009. SFAS 165 did not have a material impact on its financial position, results of operations, and cash flows.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification TM and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162* , which establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with generally accepted accounting principles. SFAS No. 168 explicitly recognizes rules and interpretive releases of the Securities and Exchange Commission under federal securities laws as authoritative GAAP for SEC registrants. SFAS No. 168 will become effective for financial statements issued for interim and annual periods ending after September 15, 2009. Management is currently evaluating the impact of the adoption of SFAS 168 but does not expect the adoption to have a material impact on its financial position, results of operations, and cash flows.

NOTE 4 CONCESSIONS IN THE SIERRA MOJADA DISTRICT

Sierra Mojada Mining Concessions

The Company owns 16 mining concessions consisting of 19,408.41 hectares (about 47,958 acres) in the mining region known as the Sierra Mojada District located in Sierra Mojada, Coahuila, Mexico. The mining concessions are considered one prospect area and are collectively referred to as the Sierra Mojada Project.

The Company purchased eleven of the concessions from Mexican entities and/or Mexican individuals and the remaining five concessions were granted by the Mexican government. Each mining concession enables the Company to explore the underlying concession in consideration for the payment of semi-annual fee to the Mexican government and completion of certain annual assessment work. Annual assessment work in excess of statutory annual requirements can be carried forward and applied to future periods. The Company has completed sufficient work to meet future requirements for many years.

As of July 31, 2009, the Company owns the following mining concessions in the Sierra Mojada District:

Concession	Acquisition Method	Date	Hectares	Cost Basis
Sierra Mojada	Purchased	5/30/2000	4,767.32	$ 12,891
Mojada 3	Purchased	5/30/2000	722.00	-
Unificacion Mineros Nortenos	Purchased	8/30/2000	336.79	2,990,623
Vulcano	Purchased	8/30/2000	4.49	-
Esmeralda 1	Purchased	8/20/2001	95.50	146,973
Esmeralda	Purchased	3/20/1997	117.50	207,600
La Blanca	Purchased	8/20/2001	33.50	99,688
Fortuna	Claim Filed	12/8/1999	13.96	62,305
Mojada 2	Claim Filed	7/17/2006	3,500.00	-
El Retorno	Purchased	4/10/2006	817.65	12,521
Los Ramones	Purchased	4/10/2006	8.60	226
El Retorno Fracc. 1	Purchased	4/20/2006	5.51	75
Dormidos	Claim Filed	4/9/2007	2,326.10	-
Agua Mojada	Claim Filed	1/26/2007	2,900.00	4,957
Alote(1)	Claim Filed	5/17/2007	3,749.00	4,927
Volcan Dolores	Purchased	9/24/2007	10.49	125,361

	19,408.41	$ 3,668,147

[(1)] Title for this concession is pending.

NOTE 5 - EQUIPMENT

The following is a summary of the Company's property and equipment at July 31, 2009 and October 31, 2008, respectively:

	July 31, 2009	October 31, 2008
Mining equipment	$ 1,194,627	$ 1,228,133
Well equipment	30,856	31,721
Communication equipment	7,198	7,400
Buildings and structures	137,965	141,835
Vehicles	113,205	115,833
Computer equipment and software	166,196	166,730
Office equipment	10,112	10,396
Assets under construction	12,302	10,325
	1,672,461	1,712,373
Less: Accumulated depreciation	(633,473)	(492,647)
	$ 1,038,988	$ 1,219,726

Depreciation expense and write-off of property and equipment for the nine months ended July 31, 2009 and 2008 was $148,326 and $174,942 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 6 SHAREHOLDER RIGHTS PLAN

On June 11, 2007, the Board of Directors adopted a Shareholders Right Plan through the adoption of a Rights Agreement, which became effective immediately. In connection with the adoption of the Rights Agreement, the Board of Directors declared a distribution of one Right for each outstanding share of the Company s common stock, payable to shareholders of record at the close of business on June 22, 2007. The Right is attached to the underlying common share and will remain with the common share if the share is sold or transferred.

In certain circumstances, in the event that any person acquires beneficial ownership of 20% or more of the outstanding shares of the Company s common stock, each holder of a Right, other than the acquirer, would be entitled to receive, upon payment of the purchase price, which is initially set at $20 per Right, a number of shares of the Company s common stock having a value equal to two times such purchase price. The Rights will expire on June 11, 2017.

NOTE 7 - COMMON STOCK

During the nine months ended July 31, 2009, the Company completed a private placement of 4,756,040 units at $.25 per unit. Each unit consisted of one share of restricted common stock and one half of a warrant. Each whole warrant is exercisable at $0.50 per share and has a term of 3 years. Net proceeds from these placements were $1,189,010. The Company also issued 97,200 shares of common stock at an average market price of $0.30 per share to its independent directors for services provided during the three quarters in the nine months ended July 31, 2009.

During the nine-months ended July 31, 2008, the Company issued 381,250 shares of common stock for warrants exercised at an average cash consideration of $1.25 per share. In addition, the Company granted 38,000 shares to three employees of Contratistas at an average market price of $2.18. The Company also issued 112,800 shares of

NOTE 7 - COMMON STOCK (continued)

common stock at an average market price of $2.05 per share to its independent directors for services provided during the 4th quarter of 2007 and for the three quarters in the nine months ended July 31, 2008. The Company had accrued $68,460 as of October 31, 2007 for costs associated with director shares for the quarter ended October 31, 2007.

NOTE 8 - STOCK OPTIONS

The Company has two existing qualified stock option plans. Under the 2006 Stock Option Plan (the 2006 Plan) the Company may grant non-statutory and incentive options to employees, directors and consultants for up to a total of 5,000,000 shares of common stock. Under the 2001 Equity Incentive Plan (the 2001 Plan) the Company may grant non-statutory and incentive options to employees, directors, and consultants for up to a total of 1,000,000 shares of common stock. Options are typically granted with an exercise price equal to the closing market price of the Company s stock at the date of grant and have a contractual term of 9 to 10 years. Prior to October 31, 2006, most stock option grants were immediately vested at date of grant. Subsequent grants have typically been issued with a graded vesting schedule over approximately 2 to 3 years. Certain option awards provide for accelerated vesting if there is a change in control (as defined in the 2006 Plan). New shares are issued upon exercise of stock options.

The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton valuation model. Expected volatility is based upon weighted average of historical volatility over the expected term of the option and implied volatility. The expected term of stock options is based upon historical exercise behavior and expected exercised behavior. The risk-free interest rate is based upon implied yield on a U.S. Treasury zero-coupon issue with a remaining term equal to the expected term of the option. The dividend yield is assumed to be none as the Company does not anticipate paying any dividends in the foreseeable future. A summary of the weighted average assumptions used to value stock options for the nine months ended July 31, 2009 and 2008 are as follows:

	Nine months ended July 31,	
Options	**2009**	**2008**
Expected volatility	83%	73%
Risk-free interest rate	2.2%	3.2% - 3.7%
Dividend yield		
Expected term (in years)	7.0	7.0 10.0

The weighted-average grant-date fair value of options granted during the nine months ended July 31, 2009 and July 31, 2008 was $0.25 and $1.65, respectively. No options were exercised during the nine months ended July 31, 2009 and July 31, 2008.

NOTE 8 - STOCK OPTIONS (continued)

The following is a summary of stock option activity for the nine months ended July 31, 2009 is as follows:

Options	Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)		Aggregate Intrinsic Value
Outstanding at October 31, 2008	4,400,004	$	2.56			
Granted	705,619		.34			
Exercised	--		--			
Forfeited or Expired	--		--			
Outstanding at July 31, 2009	5,105,623	$	2.25	6.80	$	--
Vested or Expected to Vest at July 31, 2009	4,638,953	$	2.20	6.76	$	
Exercisable at July 31, 2009	4,638,953	$	2.20	6.76	$	

The Company recognized stock-based compensation costs for stock options of $578,616 and $1,263,425 for the nine months ended July 31, 2009 and 2008, respectively. The Company typically does not recognize any tax benefits for stock options due to the Company s recurring losses. The Company currently expects all outstanding options to vest. Compensation cost is revised if subsequent information indicates that the actual number of options vested is likely to differ from previous estimates.

Summarized information about stock options outstanding and exercisable at July 31, 2009 is as follows:

		Options Outstanding				Options Exercisable		
	Exercise Price	Number Outstanding	Weighted Ave. Remaining Contractual Life (Years)		Weighted Average Exercise Price	Number Exercisable		Weighted Average Exercise Price
$	.34	705,619	9.54	$	0.34	705,619	$	0.34
	1.25-1.32	200,000	.60		1.29	200,000		1.29

	2.15-2.85	3,950,004	6.55		2.51	3,583,334		2.52
	4.30	250,000	7.89		4.30	150,000		4.30
$	.34-4.30	5,105,623	6.80	$	2.25	4,638,953	$	2.20

NOTE 8 - STOCK OPTIONS (continued)

A summary of the nonvested shares as of July 31, 2009 and changes during the nine months ended July 31, 2009 is as follows:

Nonvested Shares	Shares		Weighted-Average Grant-Date Fair Value
Nonvested at October 31, 2008	666,671	$	2.01
Granted	705,619		0.25
Vested	(905,620)		0.55
Forfeited	-		-
Nonvested at July 31, 2009	466,670	$	2.18

As of July 31, 2009, there was $188,540 of total unrecognized compensation costs related to nonvested share based compensation arrangements granted under the qualified stock option plans. That cost is expected to be recognized over a weighted average period of 0.63 years.

On February 11, 2009, the Company s executive officers and corporate employees entered into salary deferral agreements with the Company to defer 25% to 50% of their base salaries effective February 1, 2009 until the Board of Directors has determined that the Company has sufficient operating capital to fund its operations. The executive officers and corporate employees entered into these agreements as part of managements overall plan to conserve working capital during fiscal 2009. In consideration for our executive officers and corporate employees agreeing to deter a portion of their salaries, the Compensation Committee recommended and the Board of Directors granted options to acquire an aggregate of 543,619 shares of Common Stock with an exercise price of $0.34 and an expiration term of 10 years. The number of options granted was calculated based on 1.5 shares for every dollar of annualized salary deferred. The options vested immediately and had a fair value of $138,240 at date of grant.

On February 11, 2009, Messrs Kramer, Pomeroy, and Hahn each entered into a deferral agreement with the Company to defer 100% of the cash portion of their director s fees effective February 1, 2009 until the Board of Directors has determined that the Company has sufficient operating fund to continue its operations. The independent directors entered into these agreements as part of the Company s overall plan to conserve working capital during fiscal 2009. In consideration for deferring their directors fees, the Board of Directors granted each independent director options to acquire 54,000 shares of Common Stock with an exercise price of $0.34 and an expiration term of 10 years. The number of options granted was calculated based on 1.5 shares for every dollar of annualized compensation deferred. The options to acquire 162,000 shares of common stock vested immediately and had a fair value of $41,196 at date of grant.

On January 18, 2008, the Compensation Committee recommended to the Board of Directors and the Board granted stock options to purchase 400,000 shares of common stock under the 2006 Stock Option Plan to the officers of the Company with an exercise price of $2.18 and an expiration date of ten years. The options vested 1/3 at date of grant, 1/3 on January 1, 2009 and 1/3 will vest on January 1, 2010.

Also on January 18, 2008, the Board of Directors granted options to purchase 200,004 shares of common stock under the 2006 Stock Option Plan to fourteen Mexican employees with an exercise price of $2.18 and an expiration date of ten years. The options vested 1/3 on December 31, 2008, 1/3 will vest on December 31, 2009, and 1/3 on December 31, 2010 and have a cashless exercise feature.

NOTE 9 - WARRANTS

The Company may issue warrants to investors in connection with private placements of Company stock or for financial services in connection with private placements or investor relations. Warrants issued for financial services or investor relations are typically granted with an exercise price equal to the market price of the Company s stock at the date of grant. The fair value of each warrant is estimated on the date of grant using the Black-Scholes-Merton valuation model. Expected volatility is based upon weighted average of historical volatility over the contractual term of the warrant and implied volatility. The risk-free interest rate is based upon implied yield on a U.S. Treasury zero-coupon issue with a remaining term equal to the expected term of the option. The dividend yield is assumed to be none as the Company has not paid dividends nor does not anticipate paying any dividends in the foreseeable future.

A summary of warrant activity for the nine months ended July 31, 2009 is as follows:

Warrants	Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)		Aggregate Intrinsic Value
Outstanding at October 31, 2008	13,946,564	$	1.45			
Issued with private placement	2,378,020		0.50			
Issued for services	--		--			
Exercised	--		--			
Forfeited or expired	--		--			
Outstanding at July 31, 2009	16,324,584	$	1.31	1.71	$	--

Summarized information about warrants outstanding and exercisable at July 31, 2009 is as follows:

	Warrants Outstanding and Exercisable			
Exercise Price	Number Outstanding	Weighted Ave. Remaining Contractual Life (Years)		Weighted Average Exercise Price
$.50	2,378,020	2.94	$	.50
$1.25 - $1.75	11,985,169	1.47	$	1.25

$2.00 - $2.63	1,461,395	1.44		2.39
$3.40 - $5.00	500,000	2.43		3.40
$.50 - $5.00	16,324,584	1.71	$	1.31

During the nine months ended July 31, 2008, warrants for 381,250 shares were exercised at an average price of $1.25 per share for total cash proceeds of $476,563. The warrants had a total intrinsic value of $478,438 at date of exercise.

NOTE 10 - 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.

Legal Contract - Litigation

In October 2008, Mineros Nortenos (Mineros) filed a legal action against Minera Metalin, a wholly owned subsidiary of the Company. The action was filed in the Chihuahua Civil Court, in the state of Chihuahua Mexico. Mineros complaint alleges that Minera Metalin breached an August 30, 2000 agreement between the parties regarding work and labor to be provided to the Company s mining project and seeks to rescind the agreement and also seeks monetary damages. The Company believes Mineros allegations are frivolous, without merit and the Company intends to vigorously defend the action. The Company has contracted with a law firm in Mexico to defend the action and has a $250,000 contractual commitment to that law firm. On November 4, 2008, the Company paid $125,000 for upfront payment under this contract

Employment Agreements

Effective January 1, 2007, Merlin Bingham, Roger Kolvoord, and Terry Brown entered into Executive Employment Agreements with the Company pursuant to which they would receive a base annual salary of $206,000, $187,000, and $125,000, respectively. The employment agreements had an initial term of 1 year with automatic renewal for an additional year at each anniversary. The employment agreements also provide for twelve months of severance in the event the agreement is not renewed for the calendar year following a change in control.

On January 18, 2008, the Company s Compensation Committee completed a review of officer and director compensation and approved an increase in base salary for Messrs Bingham, Kolvoord, and Brown to $247,000, $224,000, and $150,000, respectively effective January 1, 2008. Also, the Company entered into an Executive Employment Agreement with Robert Devers that provides for a base annual salary of $165,000 and contains substantially the same terms and conditions as those in the employment agreements between the Company and its other executive officers. The agreement was effective as of January 1, 2008. As discussed below, each has agreed to defer a portion of their salaries.

Deferred Salaries & Directors Fees

As discussed in Note 8, the Company s executive officers and corporate employees entered into salary deferral agreements with the Company to defer 25% to 50% of their base salaries effective February 1, 2009 in order to help the Company conserve working capital. Similarly, the Company s three independent directors entered into a deferral agreements with the Company to defer 100% of the cash portion of their director s fees effective February 1, 2009. The Company will continue to defer these costs until the Board of Directors has determined that the Company has sufficient operating capital to fund its operations. As of July 31, 2009, the Company had accrued $257,394 of salaries, directors fees and other financial consulting costs and has recorded this liability on its consolidated balance sheet.

Royalty Agreement

In connection with the purchase of certain mining concessions, the Company has agreed to pay the previous owners a net royalty interest on revenue from future mineral sales.

NOTE 10 - COMMITMENTS AND CONTINGENCIES (continued)

Mining Concessions

The Company holds title to several mining concessions in Mexico that require the Company to conduct a certain amount of work each year to maintain these concessions. Annual work in excess of these statutory requirements can carry forward to future periods. The Company has accumulated a large enough carry forward to meet future requirements for several years. The mining concessions also require the Company to pay semi-annual fees to the Mexican government.

NOTE 11 INCOME TAXES

Provision for Taxes

The Company files a United States federal income tax return on a fiscal year-end basis and files Mexican income tax returns for its two Mexican subsidiaries on a calendar year-end basis. The Company and one of its wholly-owned subsidiaries, Minera Metalin, have not generated taxable income since inception. Contratistas, another wholly- owned Mexican subsidiary, did generate taxable income based upon intercompany fees with Minera during the nine months ended July 31, 2009 and 2008.

On October 1, 2007, the Mexican government enacted a new law, which was effective January 1, 2008 that introduces a new minimum flat tax system. This new flat tax system integrates with the regular income tax system and is based on cash-basis net income that includes only certain receipts and expenditures. The flat tax is set at 17.5% of cash-basis net income as determined, with transitional rates of 16.5% and 17.0% in 2008 and 2009, respectively. If the flat tax is positive, it is reduced by the regular income tax and any excess is paid as a supplement to the regular income tax. If the flat tax is negative, it may serve to reduce the regular income tax payable in that year or can be carried forward for a period of up to ten years to reduce any future flat tax.

The Company s provision for income taxes for the nine months ended July 31, 2009 consisted of a tax credit of $439 related to a provision to return true-up for foreign income taxes for the calendar year ended December 31, 2008. The Company s provision for income taxes of $63,639 for the nine months ended July 31, 2008 consists of current foreign income tax provision. There was no federal or state income tax provision for the nine months ended July 31, 2009 and 2008.

FIN 48 Accounting for Uncertainty in Income Taxes

Financial Accounting Standards Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (FIN 48), an interpretation of Financial Accounting Standards Statement No. 109, Accounting for Income Taxes prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of an uncertain tax position taken or expected to be taken in a tax return. FIN 48 requires that the Company recognize in its financial statements the impact of uncertain tax positions. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods and disclosure.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Unrecognized Tax Benefit, November 1, 2008	$
Additions based on tax positions related to current year	
Additions for tax positions in prior years	
Reductions for tax positions of prior years	
Unrecognized Tax Benefit, July 31, 2009	$

The Company does not have an unrecognized tax benefits as of July 31, 2009 and accordingly the Company s effective tax rate will not be materially affected by unrecognized tax benefits.

NOTE 11 INCOME TAXES (continued)

The following tax years remain open to examination by the Company s principal tax jurisdictions.

United States:

1993 and all following years

Mexico:

1997 and all following years

The Company has not identified any uncertain tax position for which it is reasonably possible that the total amount of unrecognized tax benefit will significantly increase or decrease within the next twelve months.

The Company s policy is to classify tax related interest and penalties as income tax expense. There is no interest or penalties estimated on the underpayment of income taxes as a result of these unrecognized tax benefits.

NOTE 12 SEGMENT INFORMATION

The Company operates in one business segment being the exploration of mineral property interests.

Geographic information is approximately as follows:

	July 31, 2009	October 31, 2008
Identifiable assets		
Mexico	$ 5,412,000	$ 6,098,000
United States	893,000	1,720,000
	$ 6,305,000	$ 7,818,000

	For the nine months ended July 31, 2009	For the nine months ended July 31, 2008	November 8, 1993 (Inception) To July 31, 2009
Net loss for the period			
Mexico	$ (1,866,000)	$ (1,343,000)	$ (17,829,000)
United States	(2,051,000)	(4,158,000)	(33,155,000)
	$ (3,917,000)	$ (5,501,000)	$ (50,984,000)

NOTE 13 SUBSEQUENT EVENTS

On August 13, 2009, the Company issued 40,000 shares of common stock and warrants to purchase 20,000 shares at $0.50 per share pursuant to a private placement transaction that was approved by NYSE Amex Stock Exchange on July 30, 2009. The net proceeds from this transaction was $10,000.

On September 4, 2009, the Company issued 495,912 shares of common stock and warrants to purchase 247,956 shares pursuant to a private placement transaction that was approved by NYSE Amex stock exchange on August 31, 2009. Each warrant is exercisable at $0.50 per share and has a term of 3 years. Net proceeds from this placement was $123,978.

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

When we use the terms Metalline Mining Company, the Company, we, us, our, or Metalline, we are re
Metalline Mining Company and its subsidiaries, unless the context otherwise requires. We have included technical terms important to an understanding of our business under Glossary of Common Terms in our Annual Report on Form 10-K for the fiscal year ended October 31, 2008. Throughout this document we make statements that are classified as forward-looking.

Cautionary Statement about Forward-Looking Statements

This Quarterly Report on Form 10-Q includes certain statements that may be deemed to be forward-looking statements. All statements, other than statements of historical facts, included in this Form 10-Q that address activities, events or developments that our management expects, believes or anticipates will or may occur in the future are forward-looking statements. Such forward-looking statements include discussion of such matters as:

.

The amount and nature of future capital, development and exploration expenditures;

.

The timing of exploration activities; and

.

Business strategies and development of our business plan.

Forward-looking statements also typically include words such as “anticipate”, “estimate”, “expect”, “potential”, “could”
similar words suggesting future outcomes. These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, including such factors as the volatility and level of silver and zinc prices, currency exchange rate fluctuations, uncertainties in cash flow, expected acquisition benefits, exploration mining and operating risks, competition, litigation, environmental matters, the potential impact of government regulations, and other matters discussed under the caption Risk Factors in our Annual Report on Form 10-K for the fiscal year ended October 31, 2008 and subsequent periodic reports, many of which are beyond our control. Readers are cautioned that

forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those expressed or implied in the forward-looking statements.

The Company is under no duty to update any of these forward-looking statements after the date of this report. You should not place undue reliance on these forward-looking statements.

Going Concern Presentation of Financial Statements

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. Since its inception in November 1993, the Company has not generated revenue and has incurred a net loss of $50,984,131 from inception through July 31, 2009. Accordingly, the Company has not generated cash flow from operations and has primarily relied upon private placement of its common stock and proceeds from warrant exercises to fund its operations. As of July 31, 2009, the Company has working capital of $282,565 which may not be sufficient to fund the Company s operations over the next twelve months. These conditions raise substantial doubt about the Company s ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets, or the amounts or classification of liabilities that may result from the possible inability of the Company to continue as a going concern. Management s plans with regards to these conditions are described below.

Plan of Operation

The Company is an exploration stage company, formed under the laws of the state of Nevada on August 20, 1993, to engage in the business of mining. The Company currently owns mining concessions, which are located in the municipality of Sierra Mojada, Coahuila, Mexico. The Company's objective is to define sufficient mineral reserves on the Property to justify the development of a mechanized mining operation (the "Project"). The Company conducts its operations in Mexico through its wholly owned Mexican subsidiaries, Minera Metalin S.A. de C.V. (Minera) and Contratistas de Sierra Mojada S.A. de C.V. (Contratistas).

Feasibility Study- Oxide Zinc Mineralization

The primary activity of the Company is to complete a feasibility study and to evaluate the engineering factors and economics of mining the Oxide Zinc Mineralization and/or Silver Polymetallic Mineralization in our Sierra Mojada concessions. This task consists in part of performing the required technical tasks and in part of properly documenting, in accordance with generally accepted engineering guidelines: (i) norms, and procedures; (ii) the manner in which the tasks were performed; and (iii) the results of the ensuing analysis. Much of this work is iterative in nature and results of one task often requires modification of the work in some other task, and resulting modifications in the documentation of all impacted tasks. The final feasibility study becomes a summary document that reflects the important conclusion of detailed reports on the various technical tasks. For the format that we are using the detailed studies are termed Complimentary Reports. The Complimentary Reports include reports on: (i) the geology of the Sierra Mojada area and the methods used to evaluate the mineralization; (ii) the resource model that provides an estimate of the size and grade of the mineralized volume, including a detailed discussion of the geostatistical methods used to create the estimate; (iii) the geotechnical results including a detailed discussion of how the geotechnical data were acquired and how they are interpreted; and (iv) a hydrology report on the water supply for the area.

During fiscal 2008, the Company completed an initial scoping phase of the feasibility study and developed a preliminary mine plan based upon the Company s initial resource model. The preliminary mine plan anticipated using an underground mining method that would use a long-hole end-slice panel stoping method to perform high-volume relatively low cost mining. The preliminary mine plan projected a minimum daily production rate of 3,000 tonnes (metric tons) per day, and a 17 year mine life. Shortly after developing the preliminary mine plan, the Company started working with its engineering firms to develop a more detailed mine plan and concentrator plant study. In May 2008, the Company selected SNC-Lavalin to prepare the detailed concentrator plant study. While working on the detailed mine plan and concentrator plant studies, the Company contracted with Pincock, Allen, & Holt to complete a new resource model based upon latest drilling results and a suite of silver analysis that were not available when the previous resource model was developed.

In July 2008, the Company announced that Pincock, Allen, and Holt had completed a new resource model on the Oxide Zinc mineralization that more than doubled the estimated amount of zinc present in the deposit. The new resource model increased the estimated size and zinc content of the deposit plus added a potential estimated by-product credit for silver associated with the Oxide Zinc Mineralization. The new resource model required the Company to take a fresh look at the optimum mine size, mining methods, and other economic and engineering factors. Open pit mining is possibly effective on a deposit of this size and geometry and would likely remove the production rate constraints that are inherent in the underground mining scenario that was previously considered. The Company has completed a first pass evaluation of open pit mining of the new resource model and has determined that mining and processing rates might be as much as five times greater than the underground mining method and would result in significant economies of scale and may allow market opportunities that are not available with a smaller underground operation. Preliminary economic evaluation of open pit mining suggests that it would be much more profitable.

Furthermore, an open pit mining method may allow the Company to mine the Silver Polymetallic Mineralization, which lies adjacent to the Oxide Zinc Mineralization on the north side of the east-west Sierra Mojada Fault. This mineralization would be mined during stripping to access the Oxide Zinc Mineralization. The Company has been actively evaluating the Silver Polymetallic Mineralization and has recently announced the results of preliminary resource modeling on this deposit. The Company s current drilling efforts are primarily directed at infilling and defining the Silver Polymetallic Mineralization in order to bring the data to the quality required for a comprehensive resource model.

The Silver Polymetallic Mineralization might require a different processing plant to recover the contained metals than required for the Oxide Zinc mineralization. The Company needs to gain a complete understanding of the size, grade and metallurgical character of this potentially large silver-rich mineralization in order to understand the impact on the economics of mining the Oxide Zinc Mineralization by open pit. If the Silver Polymetallic Mineralization can be exploited separately or in the course of developing the Oxide Zinc Mineralization, there is potentially an additional, very positive, economic impact on the overall project.

Accordingly, the Company has suspended all work on the feasibility study while gathering the drilling data required to support additional engineering studies on potential open pit mining of the deposit.

Exploration of Silver Polymetallic Mineralization

The Company continues to explore and evaluate the Silver Polymetallic Mineralization which is located north of and adjacent to the Oxide Zinc Mineralization. The purpose of this work is to evaluate the resource potential of the Silver Polymetallic Mineralization and to determine whether mining of both mineral systems can be conducted. As discussed above, an open pit mining method may allow the Company to mine the Silver Polymetallic Mineralization, which lies adjacent to the Oxide Zinc Mineralization on the north side of the east-west Sierra Mojada Fault. This mineralization would be mined during stripping to access the Oxide Zinc Mineralization. The Company has been actively evaluating the Silver Polymetallic Mineralization, but does not have enough drill data yet, and in the right places to create a comprehensive resource model for this mineralization. As financial resources permit, the Company s plans to continue to evaluate the Silver Polymetallic Mineralization using our five diamond drills, three percussion drills, channel sampling and geologic mapping. The continuing evaluation is intended to increase sample density and expand the core area. The Company is also in the process of preparing a more detailed geostatistical evaluation to improve the evaluation of the Silver Polymetallic Mineralization.

Resource Block Model Analysis

The Company has recently completed interim resource block model analyses on both the Silver Polymetallic Mineralization north of the Sierra Mojada fault and the Oxide Zinc Mineralization south of the fault. The Silver Polymetallic block model is the first block model run on the silver, copper, lead, zinc mineralization. The Oxide Zinc block model is an update with additional data generated since the last Oxide Zinc block model was completed.

As disclosed in a press release dated April 1, 2009, the Company announced that it had completed an initial block model analysis on the Silver Polymetallic Mineralization (or Northside Zone as it is referred to in the press release). The initial block model was calculated upon 3D modeling of 16,604 composite samples from 5,301 drill holes and other sample locations. The block model analysis showed that there are at least 30,263 blocks representing 5,910,742 cubic meters of material with satisfactory drill hole density that had an interpolated drill hole assay of 98.0 grams silver per tonne and 2.79% zinc.

As disclosed in a press release dated May 14, 2009, the Company announced that it had completed a revised block model analysis of the Zinc Oxide Mineralization (or Southside Zone as it is referred to in the press release) based upon additional sample data generated since the last Zinc Oxide block model was completed. The block model results for the Southside Zinc Oxide Zone estimate that the zone contains more than 24,270,000 cubic meters of material averaging 4.7% zinc and 12.7 grams silver per tonne above a 1% zinc cutoff. The zinc oxide material has very high porosity and bulk density measurements based upon many hundreds of core and rock samples estimate the average in-place density to be 2.54 metric tons per cubic meter. The block model was calculated based upon 3D block modeling of the results from 577 diamond drill holes, 2886 percussion drill holes, and 8726 channel samples, for a total of about 108,000 samples.

The interim block models described above are used to help refine our drilling program. Additional drilling is required in both the Silver Polymetallic Mineralization and the Zinc Oxide Mineralization to provide acceptable certainty for economic and engineering studies. Because we have not yet completed drilling in the area, the results of all block models are preliminary and are expected to change as more data is available.

Cautionary Note

The Company 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 concessions that shows proven and probable reserves. There can be no assurance that the Company s concessions contain proven and probable reserves and investors may lose their entire investment in the Company. See Risk Factors.

Results of Operation

<u>Three Months Ended July 31, 2009 and July 31, 2008</u>

For the three months ended July 31, 2009, the Company experienced a consolidated net loss of $177,000 or less than $0.01 per share, compared to a consolidated net loss of $1,810,000 or $0.05 per share during the comparable period last year. The $1,633,000 decrease in consolidated net loss is primarily due to a $636,000 decrease in exploration and property holding costs and a $934,000 decrease in general and administrative costs. A $166,000 increase in foreign currency translation gain also contributed to the lower net loss.

Exploration and property holding costs

Exploration and property holding costs decreased $636,000 or 65% to $341,000 for the three months ended July 31, 2009 compared to $977,000 for the comparable period last year. This decrease was primarily due to a reduction in drilling and exploration costs as the Company scaled back drilling activities from five drills operating at two shifts per day nine days per week to two drills operating at one shift per day on a five day week basis. The Company scaled back its exploration activities at the end of fiscal 2008 as part of management s plans to conserve operating capital.

General and Administrative Costs

General and administrative expenses decreased $934,000 or 61% to $590,000 for the three months ended July 31, 2009 as compared to $1,524,000 for the comparable period last year. This decrease was primarily due to a $693,000 decrease in professional fees and a $143,000 decrease in office and administrative costs. Stock based compensation for options account for a significant part of general and administrative expenses and was a primary factor for several of the fluctuations described below.

Salaries and payroll expense decreased $143,000 or 31% from the comparable period in 2008. This decrease was primarily due to lower stock based compensation related to stock options which decreased to $88,000 in 2009 as compared to $231,000 during the comparable period in 2008. Included in salaries and payroll expense for the three months ended July 31, 2009 is $88,259 of deferred salaries for executive officers and corporate employees. As discussed in more detail under liquidity and capital resources section below, the Company s executive officers and corporate employees entered into salary deferral agreements with the Company to defer 25% to 50% of their base salaries effective February 1, 2009 until the Board of Directors has determined that the Company has sufficient operating capital to continue its operations.

Office and administrative expenses decreased $16,000 or 17% to $76,000 for the three months ended July 31, 2009 as compared to $92,000 for the comparable period last year. Lower travel costs and shareholder relations costs contributed to this decline.

Professional services decreased $693,000 or 85% to $123,000 for the three months ended July 31, 2009 as compared to $816,000 for the comparable period last year. The decrease was primarily due to lower engineering and professional fees related to the feasibility study. The Company suspended work on the mine plan and concentrator portions of the feasibility study in August 2008 to evaluate a much larger scale operation in order to exploit the Silver Polymetallic mineralization.

Directors fees decreased $80,000 or 56% to $63,000 for the three months ended July 31, 2009 as compared to $143,000 for the comparable period last year. The decrease was primarily attributable to a lower average market price of shares granted to independent directors. Included in directors fee expense for the three months ended July 31, 2009 is $27,000 of deferred directors fees. As part of the Company s effort to conserve cash, the independent directors have agreed to defer 100% of the cash portion of their director s fees effective February 1, 2009 until the Board of Directors has determined that the Company has sufficient operating capital to fund its operations.

Other Income (Expense)

Other Income increased to $764,000 income for the three months ended July 31, 2009 as compared to $715,000 income for the comparable period last year primarily due to a $66,000 increase in foreign currency translation gain on intercompany loans to its Mexican subsidiaries. During the three months ended July 31, 2009, the Mexican Peso to U.S. dollar exchange rate decreased from 13.76 pesos per USD to 13.26 pesos per USD resulting in a gain of $764,000 whereas the exchange rate fluctuation in 2008 was slightly lower. As of July 31, 2009, the Company has a $20 million dollar intercompany receivable from Minera.

Interest income was $17,000 lower in 2009 as compared to 2008 due to lower average investment balances and lower investment yields.

Nine Months Ended July 31, 2009 and July 31, 2008

For the nine months ended July 31, 2009, the Company experienced a consolidated net loss of $3,917,000 or $0.10 per share, compared to a consolidated net loss of $5,501,000 or $0.14 per share during the comparable period last year. Significant reductions in exploration costs and general and administrative expenses of $1,242,000 and $1,955,000 respectively were completely offset by a $1,540,000 increase in foreign currency translation loss and a $138,000 decline in interest and investment income.

Exploration and property holding costs

Exploration and property holding costs decreased $1,242,000 or 50% to $1,229,000 for the nine months ended July 31, 2009 compared to $2,471,000 for the comparable period last year. This decrease was primarily due to a reduction in drilling and exploration costs as the Company scaled back drilling activities from five drills operating at two shifts per day nine days per week to two drills operating at one shift per day on a five day week basis. The Company scaled back its exploration activities at the end of fiscal 2008 as part of management s plans to conserve operating capital.

General and Administrative Costs

General and administrative expenses decreased $1,955,000 or 47% to $2,174,000 for the nine months ended July 31, 2009 as compared to $4,129,000 for the comparable period last year. This decrease was primarily due to lower stock based compensation for options granted to officers and directors and lower professional fees. Stock based compensation for options account for a significant part of general and administrative expenses and was a primary factor for several of the fluctuations described below.

Salaries and payroll expense decreased $412,000 or 26% from the comparable period in 2008 primarily due to lower stock based compensation for stock options and restricted stock grants. Stock based compensation for stock options decreased from $798,000 in 2008 to $457,000 in 2009 primarily due to a decrease in the average fair value of option recognized during the period. As discussed in Note 8 to the consolidated financial statements and in accordance with FAS 123R, the Company recognizes stock based compensation over the vesting period based upon the fair value of the options at date of grant. Also stock based compensation associated with restricted stock grants was higher in 2008 as the Company granted 38,000 shares to three key employees of our Mexican subsidiary with a total value of $83,000. Included in salaries and payroll expense for the nine months ended July 31, 2009 is $173,394 of deferred salaries for executive officers and corporate employees. As discussed in more detail under liquidity and capital resources section below, the Company s executive officers and corporate employees entered into salary deferral agreements with the Company to defer 25% to 50% of their base salaries effective February 1, 2009 until the Board of Directors has determined that the Company has sufficient operating capital to continue its operations. As of July 31, 2009, the Company has accrued $173,394 of deferred salaries and has recorded a corresponding liability on the Company s consolidated balance sheet.

Office and administrative expenses decreased $169,000 or 44% to $212,000 for the nine months ended July 31, 2009 as compared to $381,000 for the comparable period last year. Lower travel costs and shareholder relations costs contributed to this decline.

Professional fees decreased $1,136,000 or 67% to $552,000 for the nine months ended July 31, 2009 as compared to $1,688,000 for the comparable period last year. The decrease was primarily due to lower engineering and professional fees related to the feasibility study. The Company suspended work on the mine plan and concentrator portions of the feasibility study in August 2008 to evaluate a much larger scale operation in order to exploit the Silver Polymetallic mineralization. Also, in 2008, the Company recognized $237,000 of stock based compensation for 150,000 options granted to our Mexican legal counsel. Lower feasibility costs and the decrease in stock based compensation mentioned above were partially offset by $125,000 of legal costs related to Mineros Nortenos lawsuit.

Directors fees decreased $236,000 or 51% to $231,000 for the nine months ended July 31, 2009 as compared to $467,000 for the comparable period last year. The decrease was primarily attributable to lower stock based compensation for stock options and a lower average market price of shares issued to independent directors. Included in directors fee expense for the nine months ended July 31, 2009 is $54,000 of deferred directors fees. As part of the Company s effort to conserve cash, the independent directors have agreed to defer 100% of the cash portion of their director s fees effective February 1, 2009 until the Board of Directors has determined that the Company has sufficient operating capital to fund its operations. Accordingly, the Company has accrued $54,000 of directors fees for the quarters ended April 30, 2009 and July 31, 2009 and has recorded a corresponding liability on the Company s consolidated balance sheet.

Other Income (Expense)

Other Income (Expense) decreased to $515,000 of expense for the nine months ended July 31, 2009 as compared to $1,163,000 of income for the comparable period last year primarily due to a $516,000 foreign currency translation loss on intercompany loans to its Mexican subsidiaries. During the nine months ended July 31, 2009, the Mexican Peso to U.S. dollar exchange rate increased from 12.90 pesos per USD to 13.26 pesos per USD resulting in a loss of $516,000 whereas in 2008, the exchange rate decreased from 10.72 pesos per USD to 10.04 pesos per USD resulting in a gain of $1,024,000. As of July 31, 2009, the Company had an intercompany receivable of $20 million from Minera which is subject to exchange rate fluctuations between the U.S. Dollar and Mexican Peso.

Interest income was $138,000 lower in 2009 as compared to 2008 due to lower average investment balances and lower investment yields. During the first quarter of 2008, the Company invested its excess funds in auction rate securities which had an average yield of approximately 4% to 5%. Due to large uncertainties related to failed auctions in the auction rate securities markets, the Company sold these investments towards the end of the first quarter of 2008 and invested its excess funds in US Treasury bills and US Treasury based money market accounts. The average yield on short-term treasury bills and money market funds was less than 0.1%.

Liquidity and Capital Resources

Cash Flows

During the nine months ended July 31, 2009, the Company primarily utilized cash and cash equivalents and proceeds from private placement of its common stock to fund its operations which primarily consist of development and exploration of the Sierra Mojada property. As a result, cash, cash equivalents and marketable securities decreased from $2,229,000 at October 31, 2008 to $880,000 at July 31, 2009. During the nine months ended July 31, 2009, the Company s cash flows used in operations was $2,554,000 as compared to $4,910,000 for the comparable period in 2008. This $2,356,000 decrease is primarily due to the Company s efforts to reduce operating costs and conserve working capital. During the nine months ended July 31, 2009, the Company received $1,189,010 of proceeds from the sale of common stock and warrants through a private placement whereas in the 2008 period, the Company received $476,563 of proceeds from the exercise of stock warrants.

Capital Resources

As of July 31, 2009, the Company had cash, cash equivalents and marketable securities of $880,229. Since inception, the Company has relied primarily upon proceeds from private placements of its equity securities and warrant exercises as its primary sources of financing to fund its operations. We anticipate continuing to rely on sales of our securities in order to continue to fund our business operations. Issuances of additional shares will result in dilution to our existing stockholders. There is no assurance that we will be able to complete any additional sales of our equity securities or that we will be able arrange for other financing to fund our planned business activities.

On May 1, 2009 the Company received a notice of deficiency from the NYSE Amex LLC (formerly American Stock Exchange (the "Exchange")) which could result in the delisting of our common stock from the Exchange. The notice stated that Metalline does not currently meet Section 1003(a)(iii) of the NYSE Amex LLC Company Guide (the "Company Guide") which requires listed issuers that have sustained losses from continuing operations and/or net losses in its five most recent fiscal years to maintain stockholders' equity of at least $6,000,000. The notice also stated that Metalline is not in compliance with Section 1003(a)(iv) of the Company Guide which provides that as a result of our sustained substantial losses or as a result of our existing financial sources that it appears questionable, in the opinion of the Exchange, as to whether Metalline will be able to continue operations and/or meet our obligations as they mature.

On June 1, 2009, the Company submitted a plan of compliance addressing how we intend to regain compliance with the Exchange's continued listing standards. On July 13, 2009 the Exchange notified Metalline that Metalline has been granted an extension to regain compliance with the continued listing standards set forth in the Company Guide. As such, and subject to certain conditions, Metalline's common stock will continue to be listed on the Exchange during the extension period. The Company is subject to ongoing review by the Exchange and there can be no assurance that Metalline will be able to implement the plan within the prescribed timeframe.

Capital Requirements and Liquidity; Need for Subsequent Funding

As discussed under its plan of operation above, the Company has suspended work on mine plan and concentrator portions of the feasibility study while it gathers additional drilling data on the Silver Polymetallic mineralization. As a result of the Company s limited capital resources and the on-going weakness in the capital markets, the Company has scaled back its exploration activities and administrative costs to conserve capital while it tries to secure additional sources of capital to fund its operations and continue exploration of the Sierra Mojada Project. The Company has scaled back its drilling activities from five drills operating at two shifts per day to two drills operating at one shift per day. In addition, the Company s officers and independent directors have agreed to defer a significant portion of their cash compensation until sufficient capital has been raised to continue its operations. Effective February 1, 2009, the executive officers and corporate employees entered into salary deferral agreements for 25% to 50% of their compensation while independent directors have agreed to defer 100% of the cash portion of their director s fees. Management plans to continue its efforts towards reducing administrative costs. However, without any additional funding, the Company may not be able to fund its operations over the next twelve months.

Management is exploring various sources of additional capital including additional equity funding, joint venture participation, strategic partner and smelter and metal trading companies willing to fund projects for a commitment of product. The weak US and global economy combined with instability in global financial and capital markets have currently limited the availability of this funding. If the disruptions in the global financial and capital markets continue, debt or equity financing may not be available to us on acceptable terms, if at all. Equity financing, if available, may result in substantial dilution to existing stockholders. If we are unable to fund future operations by way of financing, including public or private offerings of equity or debt securities, our business, financial condition and results of operations will be adversely impacted.

Once the Company has gathered sufficient drilling data on the Silver Polymetallic mineralization, the Company can then resume work on the feasibility study. Following the completion of the feasibility study, the Company would then proceed to the construction phase, which would entail construction of a mine and related infrastructure pursuant to a mine plan developed specifically for the Company's concessions, and construction of an extraction plant to extract metal from the ore that would be mined. In order to proceed with the construction phase, the Company would need to rely on additional equity or debt financing, or the Company may seek joint venture partners or other alternative financing sources.

Off Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our stockholders.

Recent Accounting Pronouncements

On November 1, 2009, the Company adopted Statement of Financial Accounting Standards ("FAS") No. 157, *Fair Value Measurements* ("FAS 157"). FAS 157 defines fair value, addresses how companies should measure fair value, when they are required to use a fair value measure for recognition or disclosure purposes under GAAP, and expands disclosures about fair value measurements. FAS 157 is applied prospectively for financial assets and liabilities measured on a recurring basis as of November 1, 2008. The adoption of SFAS 157 did not have a material impact on our financial position, results of operations, and cash flows.

In February 2008, the FASB issued FASB Staff Position No. 157-2, *Effective Dates of FASB Statement no. 157* (FSP 157-2) which delayed the effective date of FAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The provisions of FSP 157-2 are effective for the Company s fiscal year beginning November 1, 2009. The Company does not expect the adoption of FAS 157 for nonfinancial assets and nonfinancial liabilities will have a material impact on our financial position, results of operations, and cash flows.

On November 1, 2008, the Company adopted FAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115* (SFAS 159). FAS 159 provides a choice to measure many financial instruments and certain other items at fair value on specified election dates and requires disclosures about the election of the fair value option. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The Company has chosen not to elect the fair value option for any financial or non-financial instruments as of the adoption date, thus the adoption of FAS 159 did not have an impact on the Company's financial position or results of operations.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162). This statement identifies sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements that are presented in conformity with GAAP in the United States. SFAS No. 162 moves the hierarchy of GAAP sources for non-governmental entities from the auditing literature to the accounting literature. This statement became effective November 15, 2008. Any effect of applying SFAS No. 162 should be reported as a change in accounting principle. SFAS 162 did not have a material impact on its financial position, results of operations, and cash flows.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* (SFAS 165), which provides guidance to establish general standards of accounting for and disclosures of events that occur after balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 is effective for interim or fiscal periods ending after June 15, 2009. SFAS 165 did not have a material impact on its financial position, results of operations, and cash flows.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification TM and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162* , which establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with generally accepted accounting principles. SFAS No. 168 explicitly recognizes rules and interpretive releases of the Securities and Exchange Commission under federal securities laws as authoritative GAAP for SEC registrants. SFAS No. 168 will become effective for financial statements issued for interim and annual periods ending after September 15, 2009. Management is currently evaluating the impact of the adoption of SFAS 168 but does not expect the adoption to have a material impact on its financial position, results of operations, and cash flows.

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make a variety of estimates and assumptions that affect (i) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and (ii) the reported amounts of revenues and expenses during the reporting periods covered by the financial statements.

Our management routinely makes judgments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the future resolution of the uncertainties increase, these judgments become even more subjective and complex. Although we believe that our estimates and assumptions are reasonable, actual results may differ significantly from these estimates. Changes in estimates and assumptions based upon actual results may have a material impact on our results of operation and/or financial condition. We have identified certain accounting policies that we believe are most important to the portrayal of our current financial condition and results of operations.

Property Concessions

Costs of acquiring property concessions are capitalized by project area upon purchase or staking of the associated claims. Costs to maintain the property concessions and leases are expensed as incurred. When a property 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. To date no concessions have reached production stage.

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

Deferred tax assets and liabilities

The Company recognizes the expected future tax benefit from deferred tax assets when the tax benefit is considered to be more likely than not of being realized. Assessing the recoverability of deferred tax assets requires management to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted cash flows and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize deferred tax assets could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the Company s ability to obtain the future tax benefits.

Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Foreign Currency Translation

While the Company s functional currency is the U.S. dollar, the local currency is the functional currency of the Company s wholly-owned Mexican subsidiaries. The assets and liabilities relating to Mexican operations are exposed to exchange rate fluctuations. The Company has adopted SFAS No. 52 *Foreign Currency Translation* (SFAS No. 52). Assets and liabilities of the Company s foreign operations are translated into U.S. dollars at the period-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. Intercompany transactions and balances with the Company s Mexican subsidiaries are considered to be short-term in nature and

---

accordingly all foreign currency translation gains and losses on intercompany loans are included in the consolidated statement of operations.

Accounting for Stock Options and Warrants Granted to Employees and Non-employees

On November 1, 2006, the Company adopted FASB Statement No. 123(R), *Share-Based Payment,* (SFAS No. 123(R)) which requires the fair value of share-based payments, including grants of employee stock options to be recognized in the statement of operations based on their fair values. Prior to the Company s adoption of SFAS No. 123(R), the Company followed the method prescribed in Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation. The fair value of the Company s stock options issued prior to the adoption of SFAS No. 123(R) was determined using a Black-Scholes pricing model, which assumes no expected dividends and estimates the option expected life, volatility and risk-free interest rate at the time of grant. Prior to the adoption of SFAS No. 123(R), the Company used historical and implied market volatility as a basis for calculating expected volatility.

The Company uses the Black-Scholes pricing model as a method for determining the estimated fair value for employee stock awards under SFAS 123(R). The expected term of the options is based upon evaluation of historical and expected future exercise behavior. The risk-free interest rate is based upon U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected life of the grant. Volatility is based upon historical volatility of the Company s stock. The Company has not historically issued any dividends and it does not expect to in the future. The Company uses the graded vesting attribution method to recognize compensation costs over the requisite service period

The Company also used the Black-Scholes valuation model to determine the fair market value of warrants. Expected volatility is based upon weighted average of historical volatility over the contractual term of the warrant and implied volatility. The risk-free interest rate is based upon implied yield on a U.S. Treasury zero-coupon issue with a remaining term equal to the contractual term of the option. The dividend yield is assumed to be none as the Company has not paid dividends nor does not anticipate paying any dividends in the foreseeable future.

Impairment of Long-Lived Assets

We review the net carrying value of all facilities, including idle facilities, on a periodic basis. We estimate the net realizable value of each property based on the estimated undiscounted future cash flows that will be generated from operations at each property, the estimated salvage value of the surface plant and equipment and the value associated with property interests. These estimates of undiscounted future cash flows are dependent upon the estimates of metal to be recovered from proven and probable ore reserves and mineral resources expected to be converted into mineral reserves, future production cost estimates and future metals price estimates over the estimated remaining mine life. If undiscounted cash flows are less than the carrying value of a property, an impairment loss is recognized based upon the estimated expected future cash flows from the property discounted at an interest rate commensurate with the risk involved.

Environmental Matters

When it is probable that costs associated with environmental remediation obligations will be incurred and they are reasonably estimable, we accrue such costs at the most likely estimate. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study for such facility and are charged to provisions for closed operations and environmental matters. We periodically review our accrued liabilities for such remediation costs as evidence becomes available indicating that our remediation liability has potentially changed. Such costs are based on our current estimate of amounts that are expected to be incurred when the remediation work is performed within current laws and regulations. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable.

Accounting for reclamation and remediation obligations requires management to make estimates unique to each mining operation of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred in future periods could differ from amounts estimated. Additionally, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required. Any such increases in future costs could materially impact the amounts charged to earnings. As of July 31, 2009, the Company has no accrual for reclamation and remediation obligations because the Company has not engaged in any significant activities that would require remediation under its current concessions or inherited any known remediation obligations from acquired concessions. Any reclamation or remediation costs related to abandoned concessions has been previously expensed.

ITEM 3. QUANTITATATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

Although a large amount of our expenditures are in U.S. dollars, certain purchases of labor, operating supplies and capital assets are denominated in Mexican pesos or other currencies. As a result, currency exchange fluctuations may impact the costs of our operations. Specifically, the appreciation of Mexican Peso against the U.S. dollar may result in an increase in operating expenses and capital costs at the Sierra Mojada Project in U.S. dollar terms. To reduce this risk, we maintain minimum cash balances in foreign currencies, including Mexican Pesos and complete most of our purchases, including capital expenditures relating to the Sierra Mojada Project, in U.S. dollars. We currently do not engage in any currency hedging activities.

ITEM 4T. CONTROLS AND PROCEDURES

(a)

Evaluation of Disclosure Controls and Procedures.

As of July 31, 2009, we have carried out an evaluation under the supervision of, and with the participation of our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) under the Securities and Exchange Act of 1934, as amended. Based on the evaluation as of July 31, 2009, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e)) under the Securities Exchange Act of 1934) were effective.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes In Internal Controls Over Financial Reporting

There was no change in the Company s internal control over financial reporting that occurred during the quarter ended July 31, 2009 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

During the quarter ended July 31, 2009, there have been no material developments with respect to the Mineros Nortenos legal action that was initially disclosed in our Form 10-K for the year ended October 31, 2008.

Item 1A. RISK FACTORS

Except as described below there were no material changes from the risk factors included our Form 10-K for the year ended October 31, 2008.

Our common stock may be delisted from the NYSE Amex LLC (formerly American Stock Exchange) and if it is delisted, it will likely adversely impact our ability to raise capital.

Although our common stock is currently quoted on the NYSE Amex, at April 30, 2009 our stockholders equity was $5,272,602. On May 1, 2009 the Company received a notice of deficiency from the NYSE Amex LLC which could result in the delisting of our common stock from the Exchange. The notice stated that Metalline does not currently meet Section 1003(a)(iii) of the NYSE Amex LLC Company Guide (the "Company Guide") which requires listed issuers that have sustained losses from continuing operations and/or net losses in its five most recent fiscal years to maintain stockholders' equity of at least $6,000,000. The notice also stated that Metalline is not in compliance with Section 1003(a)(iv) of the Company Guide which provides that as a result of our sustained substantial losses or as a result of our existing financial sources that it appears questionable, in the opinion of the Exchange, as to whether Metalline will be able to continue operations and/or meet our obligations as they mature. On June 1, 2009, the Company submitted a plan of compliance addressing how we intend to regain compliance with the Exchange's continued listing standards. On July 13, 2009 the Exchange notified Metalline that Metalline has been granted an extension to regain compliance with the continued listing standards set forth in the Company Guide. As such, and subject to certain conditions, Metalline's common stock will continue to be listed on the Exchange during the extension period. The Company is subject to ongoing review by the Exchange and there can be no assurance that Metalline will be able to implement the plan within the prescribed timeframe.

Because our financing activities are dependent to a large extent on eventual liquidity for the investors, any such delisting, if it should occur, will make future financing activities significantly more difficult, may raise liquidity issues for current investors and may place some of our existing obligations into default.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND PROCEEDS

Recent Sales of Unregistered Securities

Following are descriptions of all unregistered equity securities of the Company sold during the third fiscal quarter and as of September 8, 2009, excluding transactions that were previously reported in a Form 10-Q or a Form 8-K.

On August 13, 2009, we issued 40,000 units, with each unit consisting of one share of common stock and one half of a warrant, to an accredited investor through a private placement. Each whole warrant is exercisable for three years at an exercise price of $0.50. The units were purchased at $0.25 per unit, for total net proceeds to the Company of $10,000. We relied on the exemptions from registration provided by Section 4(2) under the Securities Act of 1933, and Rule 506 of Regulation D promulgated thereunder for this issuance. No commissions or other remuneration were paid in connection with this issuance.

On September 4, 2009, we issued an aggregate of 495,912 units, with each unit consisting of one share of common stock and one half of a warrant, to three accredited investors through a private placement. Each whole warrant is exercisable for three years at an exercise price of $0.50. The units were purchased at $0.25 per unit, for total net proceeds to the Company of $123,978. We relied on the exemptions from registration provided by Section 4(2) under the Securities Act of 1933, and Rule 506 of Regulation D promulgated thereunder for this issuance. No commissions or other remuneration were paid in connection with this issuance.

Item 3. DEFAULT UPON SENIOR SECURITES

None.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

31.1	Certification of CEO Pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification of CFO Pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Certification of CEO Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.2	Certification of CFO Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

SIGNATURES

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

METALLINE MINING COMPANY

Dated: September 14, 2009	By	/s/ Merlin Bingham Merlin Bingham, President and Principal Executive Officer
Dated: September 14, 2009	By	/s/ Robert Devers Robert Devers, Chief Financial Officer and Principal Accounting Officer

EXHIBIT 31.1

Certifications:

I, Merlin Bingham, certify that:

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

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any changes in the company s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company s internal control over financial reporting.

5. The registrant s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; 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 over financial reporting.

Dated: September 14, 2009	By	/s/ Merlin Bingham
		Merlin Bingham, President

EXHIBIT 31.2

Certifications:

I, Robert J. Devers, certify that:

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

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any changes in the company s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company s internal control over financial reporting.

5. The registrant s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; 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 over financial reporting.

Dated: September 14, 2009	By	/s/ Robert J. Devers
		Robert J. Devers, Chief Financial Officer

EXHIBIT 32.1

Certification of Principal Executive Officer

CERTIFICATION PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

(18 U.S.C. SECTION 1350)

In connection with the Quarterly Report of Metalline Mining Company (the Company) on Form 10-Q for the quarter ended July 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned certifies pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 14, 2009	By	/s/ Merlin Bingham
		Merlin Bingham, Chief Executive Officer

EXHIBIT 32.2

Certification of Principal Financial Officer

CERTIFICATION PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

(18 U.S.C. SECTION 1350)

In connection with the Quarterly Report of Metalline Mining Company (the Company) on Form 10-Q for the quarter ended July 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned certifies pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 14, 2009	By	/s/ Robert J. Devers
		Robert J. Devers, Chief Financial Officer