METALLINE MINING CO
Form 10QSB
June 18, 2007

FORM 10-QSB

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended April 30, 2007

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
For the transition period from _____ to _____

Commission file number: 000-27667

Metalline Mining Company
(Exact name of small business issuer as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	91-1766677 (IRS Employer Identification No.)

1330 E. Margaret Ave.
Coeur d'Alene, ID 83815
(Address of principal executive offices)

Issuer's telephone number, including area code: (208) 665-2002

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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 x No o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

There were 37,053,733 shares of the issuer's common stock, par value $0.01, outstanding as of June 12, 2007.

Transitional Small Business Disclosure Format (Check one): Yes o No x

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METALLINE MINING COMPANY
QUARTERLY REPORTON FORM 10-QSB
FOR THE QUARTERLY PERIOD ENDED APRIL 30, 2007

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

ASSETS	April 30, 2007 (Unaudited)	October 31, 2006
CURRENT ASSETS		
Cash and cash equivalents	$ 6,844,346	$ 689,994
Marketable securities	2,500,000	5,925,000
Accounts receivable	32,640	35,934
Tax refunds receivable	501,032	-
Other receivables	29,343	-
Employee advances	1,903	-
Prepaid expenses	29,855	14,288
Total Current Assets	9,939,119	6,665,216
PROPERTY CONCESSIONS		
Sierra Mojada, Mojada 3	15,875	15,875
Fortuna	76,725	76,725
Esmeralda	255,647	255,647
Esmeralda I	180,988	180,988
U.M. Nortenos, Vulcano	3,682,772	3,682,772
La Blanca	122,760	122,760
Total Property Concessions	4,334,767	4,334,767
EQUIPMENT		
Office and mining equipment, net	592,533	611,966
Total Equipment	592,533	611,966
TOTAL ASSETS	$ 14,866,419	$ 11,611,949
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 100,096	$ 238,198
Accounts payable - related parties	55,800	125,460
Accrued liabilities and expenses	82,854	116,162
Other liabilities	10,000	10,000
Total Current Liabilities	248,750	489,820
LONG-TERM LIABILITIES	-	-
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY		
Common stock, $0.01 par value; 160,000,000 shares authorized, 36,885,733 and 34,207,912 shares issued and outstanding, respectively	368,857	342,079

Additional paid-in capital		45,607,786		38,594,886
Deficit accumulated during exploration stage		(31,358,974)		(27,814,836)
Total Stockholders' Equity		14,617,669		11,122,129
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	14,866,419	$	11,611,949

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		Six Months Ended		November 8, 1993 (Inception) to
	April 30, 2007 (Unaudited)	April 30, 2006 (Unaudited)	April 30, 2007 (Unaudited)	April 30, 2006 (Unaudited)	April 30, 2007 (Unaudited)
REVENUES	$ -	$ -	-	$ -	$ -
GENERAL AND ADMINISTRATIVE EXPENSES					
Salaries and payroll expenses	168,614	707,418	332,012	838,114	9,128,375
Office and administrative expenses	88,640	114,610	420,447	165,483	1,824,674
Taxes and fees	122,342	54,136	123,487	173,678	920,847
Professional services	303,777	505,538	1,656,722	611,889	7,041,604
Directors fees	70,800		148,800	-	1,984,964
Property expenses	-	135,492	15,318	145,427	2,073,383
Depreciation	3,785	20,843	7,570	41,443	438,785
Exploration and research	621,391	53,710	978,209	71,862	8,391,073
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	1,379,349	1,591,747	3,682,565	2,047,896	31,803,705
LOSS FROM OPERATIONS	(1,379,349)	(1,591,747)	(3,682,565)	(2,047,896)	(31,803,705)
OTHER INCOME (EXPENSES)					
Miscellaneous ore sales, net of expenses	-	-	-	(41,537)	134,242
VAT tax refunds	-	-	-	13,045	132,660
Miscellaneous income	2,718	61,500	2,814	61,500	(11,670)
Interest and investment income	67,148	(3,292)	137,781	14,434	387,952
Interest and financing expense	(830)	(520)	(2,167)	(855)	(292,453)
Rental income	-	-	-		94,000
TOTAL OTHER INCOME	69,036	57,688	138,428	46,587	444,731
LOSS BEFORE INCOME TAXES	(1,310,313)	(1,534,059)	(3,544,137)	(2,001,309)	(31,358,974)
INCOME TAXES	-	-	-	-	-
NET LOSS	$ (1,310,313)	$ (1,534,059)	(3,544,137)	$ (2,001,309)	(31,358,974)

BASIC AND DILUTED NET LOSS PER COMMON SHARE	$ (0.04)	$ (0.05)	(0.10)	$ (0.07)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	35,650,954	32,770,130	34,915,983	27,209,376

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

METALLINE MINING COMPANY
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended		Period from November 8, 1993 (Inception) to
	April 30 2007 (Unaudited)	April 30 2006 (Unaudited)	April 30 2007 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (3,544,137)	$ (2,001,309)	$ (31,358,973)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation	44,277	41,443	475,522
Noncash expenses		-	126,864
Common stock issued for services	-	-	1,025,487
Common stock issued for compensation	-	668,715	977,106
Options issued for compensation	-	-	4,360,000
Common stock issued for directors fees.	188,460		188,460
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	1,094,950	-	1,783,721
(Increase) decrease in:			
Accounts receivable	3,294	(1,673)	(32,640)
Tax refunds receivable	(501,032)		(501,032)
Other receivables	(29,343)		(29,343)
Prepaid expenses	(15,567)	(24,857)	(29,855)
Employee advances	(1,903)	(6,791)	(1,903)
Increase (decrease) in:			
Related party payable	(69,660)	-	55,800
Accounts payable	(138,102)	25,947	100,096
Accrued liabilities and expenses	(33,308)	(22,199)	92,854
Net cash used by operating activities	(3,002,071)	(1,320,724)	(19,649,712)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Marketable securities	3,425,000	-	(2,500,000)
Purchase of investments	-	-	(484,447)
Proceeds from investments	-	-	484,447
Equipment purchases	(24,845)	(2,424)	(1,012,250)
Mining property acquisitions	-	-	(4,452,631)
Net cash used by investing activities	3,400,155	(2,424)	(7,964,881)
CASH FLOWS FROM FINANCING ACTIVITIES:			

Proceeds from sales of common stock		5,671,893		10,758,737		33,253,707
Proceeds from sales of options and warrants		84,375		-		1,065,515
Deposits for sale of stock		-		-		125,500
Proceeds from shareholder loans		-		-		30,000
Payment of note payable		-		(2,105)		(15,783)
Net cash provided by financing activities:		5,756,268		10,756,632		34,458,939
Net increase (decrease) in cash and cash equivalents		6,154,352		9,433,484		6,844,346
Cash and cash equivalents beginning of period		689,994		213,369		-
Cash and cash equivalents end of period	$	6,844,346	$	9,646,853	$	6,844,346
SUPPLEMENTAL CASH FLOW DISCLOSURES:						
Income taxes paid	$	-	$	-	$	-
Interest paid	$	2,167	$	855	$	288,938
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	$	-	$	59,220

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

METALLINE MINING COMPANY
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Stock Subscriptions Receivable	Stock Options and Warrants	Accumulated Deficit During Exploration Stage	Total
	Number of Shares	Amount					
Common stock issuance prior to inception (no value)	960,800	$ 9,608	$ (9,608)	$ -	$ -	$ -	$ -
1:5 reverse common stock split	(768,640)	(7,686)	7,686	-	-	-	-
Net loss for the year ended October 31, 1994	-	-	-	-	-	(8,831)	(8,831)
Balances, October 31, 1994	192,160	1,922	(1,922)	-	-	(8,831)	(8,831)
3:1 common stock split	384,320	3,843	(3,843)	-	-	-	-
Net loss for the year ended October 31, 1995	-	-	-	-	-	(7,761)	(7,761)
Balances, October 31, 1995	576,480	5,765	(5,765)	-	-	(16,592)	(16,592)
Issuances of common stock as follows:							
- for par value at transfer of ownership	2,000	20	-	-	-	-	20
- for cash at an average of $0.11 per share	1,320,859	13,209	133,150	-	-	-	146,359
- for services at an average of $0.08 per share	185,000	1,850	12,600	-	-	-	14,450
- for computer equipment at $0.01 per share	150,000	1,500	13,500	-	-	-	15,000

- for mineral property at $0.01 per share	900,000	9,000	-	-	-	-	9,000
Net loss for the year ended October 31, 1996	-	-	-	-	-	(40,670)	(40,670)
Balances, October 31, 1996	3,134,339	31,344	153,485	-	-	(57,262)	127,567
Issuances of common stock as follows:							
- for cash at an average of $0.61 per share	926,600	9,266	594,794	-	-	-	604,060
- for services at an average of $0.74 per share	291,300	2,913	159,545	-	-	-	162,458
- for payment of a loan at $0.32 per share	100,200	1,002	30,528	-	-	-	31,530
Options issued as follows:							
- 300,000 options for cash	-	-	3,000	-	-	-	3,000
Net loss for the year ended October 31, 1997	-	-	-	-	-	(582,919)	(582,919)
Balances, October 31, 1997	4,452,439	44,525	941,352	-	-	(640,181)	345,696
Issuances of common stock as follows:							
- for cash at an average of $1.00 per share	843,500	8,435	832,010	-	-	-	840,445
- for cash and receivables at $1.00 per share	555,000	5,550	519,450	(300,000)	-	-	225,000
- for services at an average of $0.53 per share	41,800	418	21,882	-	-	-	22,300
- for mine data base at $1.63 per share	200,000	2,000	323,000	-	-	-	325,000

Options issued or granted as follows:							
- 1,200,000 options for cash	-	-	120,000	-	-	-	120,000
- for financing fees	-	-	-	-	60,000	-	60,000
- for consulting fees	-	-	-	-	117,000	-	117,000
Warrants issued for services	-	-	-	-	488,980	(488,980)	-
Net loss for the year ended October 31, 1998	-	-	-	-	-	(906,036)	(906,036)
Balance, October 31, 1998	6,092,739	$ 60,928	$ 2,757,694	$ (300,000)	$ 665,980	$ (2,035,197)	$ 1,149,405

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

METALLINE MINING COMPANY
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (CONTINUED)

	Common Stock		Additional	Stock	Stock	Accumulated Deficit During	
	Number of Shares	Amount	Paid-in Capital	Subscriptions Receivable	Options and Warrants	Exploration Stage	Total
Balance, October 31, 1998	6,092,739	$ 60,928	$ 2,757,694	$ (300,000)	$ 665,980	$ (2,035,197)	$ 1,149,405
Issuances of common stock as follows:							
- for cash at an average of $1.04 per share	818,800	8,188	842,712	-	-	-	850,900
- for drilling fees at $0.90 per share	55,556	556	49,444	-	-	-	50,000
Stock option and warrant activity as follows:							
- exercise of options at $0.90 per share	250,000	2,500	267,500	-	(45,000)	-	225,000
- issuance of options for financing fees	-	-	-	-	216,000	-	216,000
- expiration of options	-	-	60,000	-	(60,000)	-	-
Stock subscription received	-	-	-	300,000	-	-	300,000
Net loss for the year ended October 31, 1999	-	-	-	-	-	(1,423,045)	(1,423,045)
Balance, October 31, 1999	7,217,095	72,172	3,977,350	-	776,980	(3,458,242)	1,368,260
Stock option and warrant activity as follows:							
Exercise of options at $0.86 per share	950,000	9,500	1,090,750	-	(288,000)	-	812,250

Warrants issued for services	-	-	-	-	55,000	-	55,000
Issuances of common stock as follows:							
- for cash at an average of $2.77 per share	1,440,500	14,405	3,972,220	-	-	-	3,986,625
- for services at $1.28 per share	120,000	1,200	152,160	-	-	-	153,360
- for equipment at $1.67 per share	15,000	150	24,850	-	-	-	25,000
Net loss for the year ended October 31, 2000	-	-	-	-	-	(882,208)	(882,208)
Balances, October 31, 2000	9,742,595	97,427	9,217,330	-	543,980	(4,340,450)	5,518,287
Stock option and warrant activity as follows:							
- Warrants exercised at $0.75 per share	20,000	200	25,560	-	(10,760)	-	15,000
- Options issued for consulting fees	-	-	-	-	740,892	-	740,892
- Warrants issued for consulting fees	-	-	-	-	144,791	-	144,791
Issuances of common stock as follows:							
- for cash at $2.00 per share	250,000	2,500	494,076	-	3,424	-	500,000
- for cash of $210 and services at $2.07 per share	21,000	210	43,260	-	-	-	43,470
- for cash of $180 and services at $2.05 per share	18,000	180	36,720	-	-	-	36,900
- for services at $2.45 per share	6,000	60	14,640	-	-	-	14,700
- for services at $1.50 per share	12,000	120	17,880	-	-	-	18,000
Net loss for the year ended October 31, 2001	-	-	-	-	-	(2,069,390)	(2,069,390)

Balance, October 31, 2001	10,069,595	100,697	9,849,466	-	1,422,327	(6,409,840)	4,962,650
Issuances of common stock as follows:							
- for cash at $2.00 per share	50,000	500	99,500	-	-	-	100,000
- for cash and warrants at $1.50 per share	96,000	960	134,400	-	8,640	-	144,000
- for cash and warrants at $1.50 per share	66,667	667	93,333	-	6,000	-	100,000
- for compensation at an average of $1.23 per share	86,078	861	104,014	-	-	-	104,875
Stock option activity as follows:							
- for compensation at $0.61 per share	-	-	-	-	61,000	-	61,000
Net loss for the year ended October 31, 2002	-	-	-	-	-	(765,765)	(765,765)
Balance, October 31, 2002	10,368,340	$ 103,685	$ 10,280,713	$ -	$ 1,497,967	$ (7,175,605)	$ 4,706,760

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

METALLINE MINING COMPANY
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (CONTINUED)

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

$1.26 per share							
- for services at various prices	141,286	1,413	153,801	-	-	-	155,214
Stock subscription received	-	-	-	38,000	-	-	38,000
Miscellaneous corrections and adjustments	64,263	643	(643)	-	-	-	-
Net loss for the year ended October 31, 2004	-	-	-	-	-	(5,036,805)	(5,036,805)
Balance, October 31, 2004	19,751,409	197,515	19,064,992	-	1,498,550	(13,319,638)	7,441,419
Common stock issued for cash at an average of $0.98 per share with attached warrants valued at an average of $0.28 per share	476,404	4,764	329,806	-	132,159	-	466,729
Common stock issued for compensation at an average of $1.00 per share	176,772	1,768	175,005	-	-	-	176,773
Expiration of stock warrants	-	-	282,870	-	(282,870)	-	-
Net loss for the year ended October 31, 2005	-	-	-	-	-	(3,302,161)	(3,302,161)
Balance, October 31, 2005	20,404,585	$ 204,047	$ 19,852,673	$ -	$ 1,347,839	$ (16,621,799)	$ 4,782,760
Common stock issued for cash at an average of $0.80 per share with attached warrants valued at $0.29 per share	13,374,833	133,748	7,153,399		3,924,480		11,211,627

Common stock issued for services at $0.80 per share with attached warrants valued at $0.29 per share	73,650	736	36,855		21,358		58,949
Stock option and warrant activity as follows:							
- Options issued for compensation at $2.18 per share					4,360,000		4,360,000
- warrants issued for services at $1.92 per share			(403,215)		403,215		-
- Options & warrants for directors fees at an average of $2.17 per share					1,665,705		1,665,705
Modification of options					48,000		48,000
Common stock issued for compensation at an averageof $0.63 per share	248,593	2,486	154,389				156,875
Exercise of warrants at $1.25 per share	25,000	250	38,250		(7,250)		31,250
Adjustment of private placement selling price	81,251	812	(812)				-
Net loss for the year ended October 31, 2006	-	-	-	-	-	(11,193,037)	(11,193,037)
Balance, October 31, 2006	34,207,912	$ 342,079	$ 26,831,539	$ -	$ 11,763,347	$ (27,814,836)	$ 11,122,129
Stock warrants issued for services at $1.86 per share					928,750		928,750
Stock warrants issued for services					166,200		166,200

at $1.66 per share							
Net loss for the 3 months ended January 31, 2007						(2,233,824)	(2,233,824)
Balance, January 31, 2007	34,207,912	$ 342,079	$ 26,831,539	$ -	$ 12,858,297	$ (30,048,660)	$ 9,983,255

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

METALLINE MINING COMPANY
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (CONTINUED)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Stock Subscriptions Receivable	Stock Options and Warrants	Accumulated Deficit During Exploration Stage	Total
Balance, January 31, 2007	34,207,912	$ 342,079	$ 26,831,539	$ -	$ 12,858,297	$ (30,048,660)	$ 9,983,255
Common stock issued for cash at $4.70 per unit of 2 shares with attached warrants valued at $3.49 per share	2,413,571	24,136	1,437,284	-	4,210,473	-	5,671,893
Cashless exercise of options valued at $0.47 per share	126,000	1,260	57,960	-	(59,220)	-	-
Cancellation of options valued at $0.47 per share			39,480	-	(39,480)	-	-
Common stock issued for directors' fees at an average of $2.62 per share	72,000	720	187,740		-	-	188,460
Exercise of warrants at $1.30 per share	31,250	312	49,375		(9,062)		40,625
Exercise of warrants at $1.25 per share	35,000	350	53,550		(10,150)		43,750
Net loss for the 3 months ended April 30, 2007	-	-	-	-	-	(1,310,313)	(1,310,313)
Balance, April 30, 2007	36,885,733	368,857	28,656,928	-	16,950,858	(31,358,973)	14,617,670

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

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

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

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

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.

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

NOTE 2 – BASIS OF PRESENTATION

The foregoing 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-QSB and Regulation S-B 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, 2006. 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 six-month period ended April 30, 2007 are not necessarily indicative of the results that may be expected for the year ending October 31, 2007.

Concentration of Risk

The Company maintains its domestic cash in two commercial depository accounts. One of these accounts is insured by the Federal Deposit Insurance Corporation (FDIC) for up to $100,000. The other account consists of money market funds, certificates of deposit and preferred securities (including treasury inflation protected securities and auction rate preferred securities), all of which are not insured. The Company also maintains cash in banks in Mexico. These accounts, which had U.S. dollar balances of $53,017 and $42,477 at April 30, 2007 and April 30, 2006, respectively, are denominated in pesos and are considered uninsured. Additionally, the Company maintained a petty cash balance of $157 at April 30, 2006. At April 30, 2007, the Company's cash balances and marketable securities included $9,244,346 which was not federally insured.

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 six months ended April 30, 2007 and 2006 were $978,209 and $71,862, respectively. The exploration costs expensed during the Company's exploration stage amount to $8,391,073.

Foreign Operations

The accompanying balance sheet at January 31, 2007 contains Company assets in Mexico, including: $4,334,767 in property concessions; $846,941 (before accumulated depreciation) of mining equipment; and $53,017 of cash. Although this country is considered economically stable, it is always possible that unanticipated events in foreign countries could disrupt the Company's operations. The Mexican government does not require foreign entities to maintain cash reserves in Mexico.

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115" (hereinafter "SFAS No. 159"). This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007, although earlier adoption is permitted. Management has not determined the effect that adopting this statement would have on the Company's financial condition or results of operation.

In September, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87,88,106, and 132(R)" (hereinafter :SFAS No. 158"). This statement requires an employer to recognize the overfunded or underfunded positions of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not for profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year end statement of financial position, with limited exceptions. The adoption of this statement had no immediate material effect on the Company's financial condition or results of operations.

NOTE 4 – CONCESSIONS IN THE SIERRA MOJADA DISTRICT

Sierra Mojada Mining Concessions

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

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

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

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

NOTE 5 – PROPERTY AND EQUIPMENT

The following is a summary of the Company's property and equipment at April 30, 2007 and October 31, 2006, respectively:

	April 30, 2007	October 31, 2006
Mining equipment	$ 634,793	$ 589,751
Communication Equipment	10,179	10,179
Buildings and structures	141,061	141,061
Land - non mineral	15,839	15,839
Vehicles	125,311	152,030
Computer equipment	125,191	120,664
Office equipment	9,446	9,446
Furniture and fixtures	888	888
	1,062,708	1,039,858
Less: Accumulated depreciation	(470,175)	(427,892)
	$ 592,533	$ 611,966

Depreciation expense for the periods ended April 30, 2007 and 2006 was $44,277 and $41,443, respectively. Depreciation charges of $36,707 in the six months ended April 30, 2007 were included in exploration costs.

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NOTE 6 – CAPITAL STOCK

Common Stock

In March 2005, the Company's board of directors authorized a private placement of up to 5,333,334 shares of the Company's restricted common stock at a price of $1.125 per share for total proceeds of $6,000,000. Purchasers of these shares also received a warrant to purchase one share of the Company's common stock at an exercise price of $2.00 per share with an exercise period of five years. In September 2005, a modification of the private placement terms was authorized. The modified terms allow for the issuance of shares of common stock at a price of $0.80 per share, a warrant exercise price of $1.25 per share and an exercise period of five years. During the year ended October 31, 2006, the Company issued 13,456,084 shares of common stock under the aforementioned private placement, for cash consideration at $0.80 per share with attached warrants valued at an average of $0.29 per share. In addition, warrants were exercised for 25,000 shares of common stock for cash consideration at an average of $1.25 per share. There were also 54,000 shares of common stock granted as stock bonuses to the Company’s independent directors at an average value of $2.32 per share for services received under the 2006 Plan, described below. In addition to the common stock issued through the private placement, 248,593 shares of common stock were issued for prior compensation at an average of $0.63 per share.

In March 2007, the Company’s board of directors authorized an amended private placement of 2,413,571 shares of the Company’s restricted common stock and warrants to purchase 1,206,785 shares of common stock exercisable at $2.42 per share for four years, at a price of $4.70 per unit, which consists of two shares of common stock and one warrant. During the six months ended April 30, 2007, the Company issued 2,413,571 shares of the Company’s restricted common stock and warrants to purchase 1,206,785 shares of common stock under the terms of the private placement. The attached warrants were valued at an average of $3.49 per share. In addition, warrants were exercised for 66,250 shares of common stock for cash consideration at an average of $1.27 per share. Options for 210,000 shares of the Company’s common stock granted under the Company’s 2000 Equity Incentive Plan were exercised under the “cashless exercise” provision of the Plan, whereby recipients elected to receive 126,000 shares without payment of the exercise price, and the remaining options for 84,000 shares were cancelled. Also during the six months ended April 30, 2007 the Company issued 72,000 shares of the Company’s common stock at an average of $2.62 per share to its independent directors as compensation for services received.

Stock Options

On July 7, 2006, the Company’s shareholders approved a qualified stock option plan (the “2006 Plan”), which provides for non-statutory and incentive stock options for employees, directors and consultants, and has reserved a total of 5,000,000 shares of common stock for issuance pursuant to the Plan.

On March 1, 2001, the Company's shareholders approved a qualified stock option plan (the “2001 Plan”), which provides for non-statutory and incentive stock options for employees, directors and consultants, and has reserved a total of 1,000,000 shares of common stock for issuance pursuant to the Plan. Summarized information about stock options outstanding and exercisable at April 30, 2007 is as follows:

Options Outstanding			Options Exercisable		
Exercise Price	Number Outstanding	Weighted Avg Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 1.30	100,000	2.27	$ 1.30	100,000	$ 1.30
1.32	110,000	3.43	1.32	110,000	1.32
2.59	2,750,000	9.00	2.59	2,750,000	2.59
2.15	200,000	2.83	2.15	200,000	2.15
$ 1.30-2.59	3,160,000	8.20	$ 2.41	3,160,000	$ 2.48

Warrants

During the six months ended April 30, 2007, for professional services received, the Company issued warrants for 500,000 common shares, exercisable at $3.40 per share. A value of $1.86 per warrant was allocated to these warrants with a total allocated value of $928,750. The Company also issued warrants for 100,000 common shares, exercisable at $2.63 per share. A value of $1.66 per share was allocated to these warrants with a total allocated value of $166,200. In connection with the private placement completed during the six-month period ended April 30, 2007, there were warrants issued for the purchase of 1,206,785 shares of common stock at an exercise price of $2.42 per share. The warrants were valued at $3.49 per share for a total allocated value of $4,210,473.

NOTE 7 – INCOME TAXES

At April 30, 2007, the Company had net deferred tax assets calculated at an expected rate of 34% of approximately $7,300,000, principally arising from net operating loss carryforwards for income tax purposes. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the net deferred tax asset, there is a valuation allowance equal to the net deferred tax asset.

The significant components of the deferred tax assets at April 30, 2007 and October 31, 2006 are as follows:

	April 30, 2007	October 31, 2006
Net operating loss carryforward	$ 21,600,000	$ 19,100,000
Deferred tax asset	$ 7,300,000	$ 6,500,000
Deferred tax asset valuation allowance	$ (7,300,000)	$ (6,500,000)

As of April 30, 2007, the Company had net operating loss carryforwards of approximately $21,600,000, which expire in the years 2008 through 2027. The Company has recognized approximately $1,095,000 of losses from the issuance of stock options and warrants for services in the six months ended April 30, 2007, which were not deductible for tax purposes. The change in the allowance account from October 31, 2006 to April 30, 2007 was $800,000. The Company has immaterial temporary differences resulting from differences in tax depreciation of equipment.

NOTE 8 – SUBSEQUENT EVENTS

In May, 2007 the Company issued 18,000 shares of common stock to independent directors of the Company for services received in the three months ended April 30, 2007. The Company has accrued $55,800 of costs associated with these shares as of April 30, 2007. Also in May, 2007, two warrants were exercised for 150,000 shares of common stock at an exercise price of $1.25 per share.

In June, 2007, the Company's board of directors appointed a chief financial officer effective June 18, 2007. The new officer's compensation includes options to acquire 250,000 shares of the Company's common stock, subject to vesting over the next three years.

Also in June, 2007, the Company adopted a shareholders right plan. To effect the shareholders rights plan Company declared a distribution of one common stock purchase right to each outstanding share of common stock, payable to shareholders of record on June 22, 2007. This right will be attached to the underlying common share and remain with the common share should the common share be sold or transferred.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Statement about Forward-Looking Statements

This Quarterly Report on Form 10-QSB 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-QSB 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;
- Business strategies and development of our business plan; and

Forward-looking statements also typically include words such as "anticipate", "estimate", "expect", "potential", "could" or 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 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 Company's Annual Report on Form 10-KSB for the fiscal year ended October 31, 2006 under the caption "Risk Factors," 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.

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 as described below (the “Property”). 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.

The Company owns the following mining concessions, including the buildings and equipment located thereon:

Concession [1]	Title No.	Hectares
Sierra Mojada	198513	4,767.3154
Mojada 3	226756	722.0000
Unificacion Mineros Nortenos	169343	336.7905
Esmeralda 1	211158	95.4977
Esmeralda	212169	117.5025
La Blanca	220569	33.5044
Fortuna	160461	13.9582
Vulcano	83507	4.4904
Total		6,091.0591

[1] These concessions are disclosed on the company's consolidated balance sheet for the six months ended April 30, 2007.

The Company also owns, or is in the process of acquiring, the following mining concessions, including the buildings and equipment located thereon:

Concession[1]	Title No.	Hectares
Mojada 2	227585	3,500.0000
El Retorno	216681	817.6548
Los Ramones	223093	8.6039
El Retorno Fracc. 1	223154	5.5071
Dormidos	229323	2,326.0953
Agua Mojada[2]	E-07/16743	2,900.0000
Alote[2,3]	--	3,749.0000
Total		13,306.8611

[1] These concessions were acquired during 2006 and 2007. Since documentation of the acquisition of these concessions is not available, they are not recorded on the Company's consolidated balance sheet for the six months ended April 30, 2007.

[2] Title for these concessions is pending.

[3] The Alote concession was acquired after the period ended April 30, 2007

The fifteen concessions total 19,397.9202 hectares (about 47,930 acres). The Company owns, or is in the process of acquiring, the fifteen concessions pursuant to purchase agreements with the previous owners. A number of prior established concessions that are not owned by the Company are located within the largest concession, the Sierra Mojada concession. The Company holds title to its concessions subject to its obligation to maintain and conduct work on the concessions, record evidence of the work with the Mexican Ministry of Mines and pay a semi-annual fee to the

Mexican government. Annual assessment work in excess of statutory requirements can be carried forward to apply against the work required for future years. The value of our accumulated carry forwards on our concessions would meet future requirements for many years.

The Company’s primary focus has been to explore the Sierra Mojada concessions to identify available mineral deposits, securing a legal right to exploit the deposit and defining a resource. From 1999 through early 2005 an oxide zinc mineralization has been defined that management has determined contains sufficient estimated zinc metal to justify a study of the mineralized material. A feasibility study has been initiated for the Company by Green Team International of Johannesburg, South Africa as the prime contractor. The Company’s plan of operation for the next 12 months is to continue work on the feasibility study to determine whether a mining operation may be profitably conducted on the Company's concessions. The study is a detailed engineering and economic valuation of the iron oxide and smithsonite manto mineralized material. The study consists of six major elements: Resource Model, Metallurgy, Mine Plan, Extraction, Reduction and Water Development.

The Resource Model has been revised and it will be used interactively with the mining and concentrator team to optimize the baseline business case for the study. Another revision of the Resource Model incorporating improved geological constraints is expected to be completed by mid-June, 2007. The Resource Model will then be subjected to a technical audit.

The Company has performed a technical audit of its sample collecting, sample preparation, and data logging technical processes and is improving its technical processes, facilities, and procedures. It has acquired improved geological information requested by its engineers in completing their studies. The geotechnical study involving diamond drilling, structural mapping, in situ and laboratory measurements of rock strength and other testing to confirm the applicability of various mining methods to the rocks at Sierra Mojada are in progress. The Company is analyzing a large sampling of rocks from within the boundaries of the current Resource Model grade shell for other metals that might be recovered as coproducts of mining zinc. The elements being considered include silver, cadmium, indium, gallium, germanium, and cobalt.

Metallurgical studies were completed with an objective of improving the design of the concentrator circuit for processing of zinc. Samples to evaluate the existing circuit as applied to the recovery of silver have been shipped to South Africa for study. The scoping study phase of the Mine Plan will be completed by evaluating interactions and optimizations between Mine Plan, concentrator and refinery sizing, and the Resource Model. On completion of this activity, the basic mine method(s) and project capacities will be frozen and mine planning will be carried to the next level of detail. The location of the refinery, the extraction and reduction plant will then be finalized, using the results of a previously performed alternatives analysis, and the details of refinery location and design will be attacked. GTI has previously completed fairly mature concentrator and refinery designs.

The Mine Plan studies contract has been awarded to the firm of Pincock, Allen and Holt. The Mine Plan studies involve three stages of progressively more definitive work. These are a scoping stage, a preliminary design phase, and a detailed design phase. The scoping stage of Mine Plan studies has evaluated methods to mine the deposit. Geotechnical results are required to determine the optimum method to mine the deposit, the associated capital and mining costs and feasible production rates. The production rate for the project is determined through an economic evaluation that seeks to optimize the expected return on investment based on consideration of the Resource Model and interactions with the mining method, the extraction and reduction plants in the context of the expected capital and operating costs of the entire system. A baseline design case using concentration of oxide zinc minerals and refining the concentrate using solvent extraction and electrowinning (SXEW) is used to compare the economic efficiency of various engineering alternatives. After the optimum approach is determined, the engineering design is developed in stages of increasing complexity and detail. Throughout this process, standard engineering practices are employed to progressively reduce the engineering and economic uncertainties.

A contract will be issued to Agapito Associates Inc., of Golden, Colorado, to perform geotechnical and rock mechanics studies at the site in support of mine planning activities. In mid-May 2007, a drilling program was initiated to obtain large diameter core samples for testing in Agapito laboratories. This drilling will use one of the Company's diamond drill units. As of June, 2007 seven holes have been completed, the cores exhaustively logged for geotechnical purposes, and samples selected for laboratory measurements of rock strength. A borehole shear strength tester (BST) will be used to determine in situ rock strength in these, and other, bore holes. Structural mapping is complete in both surface and underground localities. The geotechnical work is approximately on the planned schedule.

Water Development is in progress and consists of drilling for a groundwater supply capable of producing water for the mine and plant in volumes adequate to meet water supply requirements estimated by the engineering groups performing the feasibility study. Water Development will be completed, several wells will be completed and tested, and application will be made to the appropriate agency (the Comisión Nacional de Agua) to grant the Company water rights. Environmental, Social, and permitting studies will be continued and completed by our consultants. Weather-, noise-, and air-quality-monitoring will be performed. A documented community out-reach program is already underway and will be continued with our workers, the local community, the local government and appropriate agencies in State and Federal governments. All of this work will be done to comply with Mexican regulations, laws, and norms and with sustainable development considerations as described in the International Finance Corporations "Performance Standards on Social and Environmental Sustainability" and the Environment Assessment required by the World Bank's "Equator Principles".

In order to finance the feasibility study and the business operations described above for corporate overhead through completion of the feasibility study, the Company has raised capital by selling unregistered shares of its common stock as described below in “Liquidity and Capital Resources.” The Company estimates that completion of a feasibility study will cost an additional $4.2 million and the Company expects that it will take an additional 18 months to complete all aspects of the study. Spending on the feasibility study during the six months ended April 30, 2007 was $933, 846,which is $400,000 less than expected. This amount includes payments to third parties for goods and services, and does not include expenses for general corporate purposes or to support the feasibility study by our employees in Mexico. Following the completion of a successful feasibility study, the Company would then proceed to secure financing for the construction of a mine and related infrastructure pursuant to a Mine Plan developed specifically for the Company's concessions and for Concentration and Reduction plants to extract metal from the ore that would be mined. The Company estimates that construction of a mine and extraction and reduction plant would cost approximately $400 million and take approximately two to three years to complete after completion of the feasibility study, assuming sufficient funding is available. The Company intends to finance construction costs by seeking a combination of equity and debt. In addition the Company may seek joint venture partners or other alternative financing sources as necessary to complete development of the project.

The Company is improving its general business capabilities in Mexico so that it is capable of performing the ramp up in activity required by our business objectives. We are selectively improving the quality of our workforce at all levels. We will become fully compliant with labor registration, safety, health and training requirements, and environmental registration. Until that time, we do not have to comply in these areas because we were grandfathered into compliance.

Some overarching business objectives in our activities are: to systematically reduce the significant risk factors listed earlier in this document; to reach the level of certainty required to comply with SEC Industry Guide 7; and to meet the level of quality required for our feasibility study to be acceptable to financial institutions to support funding decisions. Two disciplines help us to reach these objectives. First, generally accepted international engineering practice is based on methodology to achieve progressive reduction of risk and progressive reduction in economic uncertainties as studies progress. Second, outside technical/engineering auditors are retained to insure that work is done to the quality required by the engineering norms.

The Company will continue its program to explore for new mineralization. This effort is most intensely focused on areas of silver-copper mineralization close to mine workings that might be constructed to access and work the zinc oxide manto. The purpose of this work is both to identify areas that might be mined as well as to insure that contemplated mine workings do not render mineralization unmineable that might otherwise be exploited. The Company is aware of other areas within its concessions that it believes may have significant exploration potential. As resources are available, or specific opportunities are identified, such areas may receive exploration attention.

In the past the Company has evaluated various opportunities for generating near-term revenues from small scale mining from its concessions, and it will continue to do so in the future. However, it will only engage in such operations if 1) they are not diversionary to the task of completing the feasibility study; 2) they are safe for our workers; 3) the business risk is low; 4) the opportunity is affordable; 5) the profit potential is significant to a company of our size. We have no current plans to enter any such venture.

Subsequent Events

Subsequent to the six month period ended April 30, 2007, the Company's board of directors appointed Robert J. Devers as Chief Financial Officer effective June 18, 2007. As part of Mr. Devers compensation, he received options to acquire 250,000 shares of the Company's common stock, subject to vesting over the next three years.

On June 11, 2007, the Company's board of directors adopted a shareholders right plan. The rights are designed to have certain anti-takeover effects and as such they will cause substantial dilution to a person or group that attempts to acquire the Company without conditioning the offer on a substantial number of rights being acquired, or in a manner or on terms not approved by the board of directors of Company. The rights,

however, should not deter any prospective offer or willingness to negotiate in good faith with the board of directors, nor should the rights interfere with any merger or other business combination approved by the board of directors. To effect the shareholders rights plan Company declared a distribution of one common stock purchase right to each outstanding share of common stock, payable to shareholders of record on June 22, 2007. This right will be attached to the underlying common share and remain with the common share should the common share be sold or transferred.

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” in the Company's Annual Report on Form 10-KSB for the fiscal year ended October 31, 2006.

Results of Operations

During the six months ended April 30, 2007, the Company realized other income of $138,428 as compared to $46,587 for the six month period ending April 30, 2006. General and administrative expenses increased to $3,682,565 for the six month period ended April 30, 2007 as compared to $2,047,896 for the six months ended April 30, 2006. The increase is primarily due to an increase in professional services of $1,044,833 resulting from expensing of warrants issued in the first quarter for services rendered by outside consultants, an increase in exploration and research of $906,347, an increase of office and administrative expenses of $254,964, and an increase in directors fees of $148,800. The total increase in general and administrative expenses is partially offset by the decrease in salaries and payroll expenses of $506,102. The decrease in salaries and payroll expense is due to the payment of bonuses and additional salaries paid in the six months ended April 30, 2006 which were not paid in the six months ended April 30, 2007. The increased expenditures were due to increased exploration and feasibility expenditures following completion of the private placement of the Company’s common stock in the prior fiscal year. For the six months ended April 30, 2007, the Company experienced a loss of $3,544,137, or $0.10 per share, compared to a loss of $2,001,309, or $0.07 per share, during the comparable period in the previous year.

Liquidity and Capital Resources

The Company financed its obligations during the six months ended April 30, 2007 from cash on hand. At April 30, 2007, the Company's cash, cash equivalents and marketable securities increased by $2,729,352 compared to the year ended October 31, 2006. This increase is due to the private offering that closed on March 6, 2007, as described below. Also during this period, the Company used $3,002,071 in operating activities, principally in connection with maintaining the property, continuation of a surface exploration drilling program and continued feasibility study funding, which includes the water development drilling.

During the six month period ended April 30, 2007, the Company completed a private offering of 2,413,571 shares of the Company’s common stock and warrants to purchase 1,206,785 shares of common stock, exercisable at $2.42 per share and expiring on March 6, 2011 (the “Securities”). The Securities were purchased at a price of $4.70 per Unit, which consists of two shares of common stock and one warrant for an aggregate gross proceeds of $5,671,893. As of April 30, 2007, the Company’s liquid resources, consisting of cash, cash equivalents and marketable securities, was $9,344,346.

The Company’s current operating expenses total $350,000 per month, for an expected operating expense of $4.2 million in the next 12 months. The Company continues to maintain a sampling and drilling program that is budgeted at approximately $50,000 per month, not including analytical costs which can vary from $20,000 to $40,000 per month. As discussed previously, assuming adequate funding is available, the Company estimates that it will cost about $4.2 million in additional spending to complete the feasibility study, but there can be no assurance that this estimate will not be revised upward. The portions of the study that relate to the mine and concentrator in Mexico should be largely complete by the end of 2007, but we expect that work on the refinery and preparation of the final study documents will not be completed until October of 2008. If at any time we think we have insufficient cash, we will adjust our program and expenditures appropriately.

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The Company's management believes that private placements of its shares have provided sufficient cash for the Company to continue to operate for at least the next twelve months based on current expense projections. Following the completion of a successful 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.

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. Our significant accounting policies are disclosed in Note 2 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-KSB for the fiscal year ended October 31, 2006.

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 majority of its operations are in Mexico. The assets and liabilities relating to Mexican operations are exposed to exchange rate fluctuations. The Company has adopted Financial Accounting Standard No. 52. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at rates of exchange in effect at the balance sheet date, and revenue and expenses are translated at the average exchange rate during the period. Realized gains or losses are included in income for the year as a result of operations. Non-monetary assets, liabilities and items recorded in income arising from transactions denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction.

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

The Company currently reports stock issued to employees under the rules of SFAS No. 123 and therefore, the Company's accounting for stock options and warrants are not affected by the issuance of SFAS No. 123R, except for how it relates to modification of existing options.

In December 2004, the Financial Accounting Standards Board revised SFAS No. 123 and issued SFAS No. 123R.

Warrants were valued using the Black-Scholes option pricing model. The assumptions used were as follows: volatility of 80%, a risk-free interest rate of 5% and an exercise term of from two to five years.

The fair value of options was determined using the Black-Scholes option pricing model using a risk free interest rate of 5% and a volatility of 80%.

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. Costs of future expenditures for environmental remediation are not discounted to their present value unless subject to a contractually obligated fixed payment schedule. 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.

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Future remediation costs for inactive mines are accrued based on management's best estimate at the end of each period of the undiscounted costs expected to be incurred. Such costs estimates include, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates are reflected in earnings in the period an estimate is revised.

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. At October 31, 2006 the Company has no accrual for reclamation and remediation obligations because management cannot make a reasonable estimate. Any reclamation or remediation costs related to abandoned concessions has been previously expensed.

ITEM 3. Controls and Procedures.

Disclosure Controls and Procedures.

The Company's principal executive officer and principal financial officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, the Company's principal executive officer and principal financial officer have concluded that, as of the end of such period, the Company's disclosure control and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

The Company's management has also concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in the Company's reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting.

There was no change in the Company's internal control over financial reporting that occurred during the fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Other than as described in our Form 8-K filed on March 12, 2007, the Company has not had any recent sales of unregistered equity securities.

ITEM 6. Exhibits.

3.1 Articles of Incorporation. (1), (2), (3)

3.2 Bylaws, as amended. (3)

10.1 Common Stock and Warrant Purchase Agreement, dated February 16, 2007, filed herewith.

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.

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(1) Incorporated by reference from Form 10-SB, filed October 15, 1999.
(2) Incorporated by reference from Form 10-QSB, filed September 19, 2006.
(3) Incorporated by reference from Form 10-KSB, filed January 31, 2007.

METALLINE MINING COMPANY
An Exploration Stage Company

SIGNATURES

In accordance with Section 12, 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

METALLINE MINING COMPANY

June 17, 2007 Date	By: /s/ Merlin Bingham Merlin Bingham, President and Chief Executive Officer
June 17, 2007 Date	By: /s/ Wayne L. Schoonmaker Wayne L. Schoonmaker, Principal Financial Officer and Chief Accounting Officer