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## **Metalline Signs An Exploration Agreement with Peñoles**

Coeur d'Alene, Idaho – Metalline Mining Company is very pleased to announce that it has completed an Earn In Joint Venture Agreement with Minas Peñoles S.A. de C.V. on the Sierra Mojada Project in the state of Coahuila, Mexico.

Peñoles is Mexico's second largest mining company and the world's largest silver refiner. They operate Fresnillo, the world's largest silver mine, with proven and probable reserves over 400 million ounces silver. For the year 2000 Peñoles produced 298,300 ounces gold, 44.7 million ounces silver, 74,400 metric tons lead and 173,200 metric tons zinc. The Metals Division (Met-Mex) refined record amounts of gold and silver, 645,700 ounces gold and 74 million ounces silver. For the year 2000 Peñoles reported sales of 9,373,583,000 Pesos and assets of 17,113,584,000 Pesos. The present US dollar equivalent is \$1.02 billion in sales and assets of \$1.86 billion. Peñoles trades under the symbol IPOAF and their web site is [www.penoles.com](http://www.penoles.com).

The agreement allows Peñoles to earn into 60% of the Sierra Mojada Project by:

- 1.** Delivering, within 5 years of the agreement signature date, a feasibility study that is of sufficient detail and quality to be used to secure debt financing for the Joint Venture. The Study shall address the viability of placing the Property into production in such form and detail and using such assumptions as are customarily and reasonably done by major mining companies in North America and Mexico, and which are technically acceptable to major international lending institutions for lending development capital.
- 2.** Complete US\$1,000,000 of Qualified Expenditures on the Property during the first year. Qualified Expenditures are defined as any physical exploration and overhead costs that are directly related to the project.
- 3.** Purchase of Metalline Shares. Peñoles will purchase Metalline Mining Company shares at a fixed price of US \$2.00 per share, on the following schedule:
  - (i) 50,000 shares upon signing the Agreement. If Peñoles should elect to continue exploration after twelve months' time, then
  - (ii) Peñoles shall purchase an additional 100,000 Metalline shares;
  - (iii) if Peñoles should continue

exploration after twenty-four months, it shall purchase an additional 100,000 Metalline shares.

Peñoles will be the operator of the Study. A Technical Committee will plan the exploration of the resources. The Technical Committee will be composed of 2 representatives from Metalin and 3 from Peñoles. Decisions will be made by a majority of the members of the Technical Committee.

**Project Financing.** Upon completion of Earn In by Peñoles, a Joint Venture Company will be formed, owned 60% by Peñoles and 40% by Metalline. The Joint Venture company shall arrange debt financing for 60% of the Project. For purposes of providing the necessary guarantees that the banks may request, Peñoles shall provide such guarantees and Metalin shall pledge in escrow with Peñoles, its shares in the Joint Venture until successful fulfillment of the completion tests that the banks may require. For the equity-financing portion, the Parties shall be responsible for contributing financial resources for their respective percentages of the remaining 40% equity financing (24% for Peñoles and 16% for Metalin). If Peñoles finances Metalin's equity participation, Metalin will assign to Peñoles a 10% additional interest in the Joint Venture. In such event, Peñoles would own 70% of the Joint Venture Company and Metalin 30%.

**Industrias Peñoles S.A. de C.V.**, is one of the largest mining, metallurgical and chemical companies in Mexico and is part of **Grupo BAL**.

**Grupo BAL** is a diversified group of five independent, premier Mexico-based organizations: **Industrias Peñoles** (natural resources); **Grupo Palacio de Hierro**; (retail); **Grupo Nacional Provincial** (insurance); **Valores Mexicanos-Casa de Bolsa** (financial services); and **Credito Afianzador** (bonding). Grupo Bal has 23,000 employees, over \$4 billion of assets, and over \$2 billion dollars in sales.

**Industrias Peñoles S.A. de C.V.**

## **MINING**

**Minas Peñoles, S.A. de C.V.**, is Mexico's premier natural resources group. It is Mexico's leading producer of silver, gold, zinc and lead concentrates. The company takes a long-term focus. Exploration is selective in order to identify mineral deposits, which will result in optimum efficiency of operations. Emphasis is on energy savings and preventive maintenance. To meet world standards, older facilities are replaced, equipment modernized and employees trained in advanced technologies. The company's investment in modern technology has resulted in the production of the highest-grade ores and minerals. Minas Peñoles participates with many leading foreign companies in joint ventures, including AMAX (USA), Dowa Mining Company (Japan), Homestake Mining (USA), Otokumpu (Finland) and Newmont Gold (USA).

## **METALS**

**Met-Mex Peñoles, S.A. de C.V.**, converts minerals and concentrates mined by the Peñoles Mining Group and other Mexican and foreign producers into refined gold, silver, zinc, lead, cadmium, cadmium oxide and bismuth. Peñoles is the world's leading producer of refined silver. The company also produces ammonium sulfate, antimony trioxide, sulfuric acid and antimonial lead. The company's products are used as raw materials in multiple industries, the most significant of which are photography, jewelry, steel, batteries, pharmaceuticals, cosmetics and the metallurgical and electronic industries. Met-Mex is one of Latin America's important nonferrous metallurgical complexes. It consists of a lead smelter, an electrolytic zinc plant, a lead-silver refinery, two sulfuric acid plants, and cadmium, bismuth, ammonium sulfate, antimony trioxide, cadmium oxide and liquid sulfur dioxide plants.

## **CHEMICALS**

**The Industrial Chemicals Division** operates four companies, all inorganic chemicals, producing, principally, magnesium oxide and sodium sulfate from brines; also magnesium oxide from sea water and chemical lime. Magnesium oxide is sold both commercially and used as a raw material source for the refractory industry. Also produced are fine chemical products and fertilizers, from raw materials manufactured by Met-Mex Peñoles. The Division's major operation is Quimica del Rey, S.A. de C.V., the world's largest producer of sodium sulfate, which is used in the detergent, glass and refractory industries.