



INDEPENDENT AUDITORS' REPORT

Board of Directors
Mines Management, Inc.
Spokane, Washington

We have audited the accompanying consolidated balance sheets of Mines Management, Inc. (an Idaho Corporation) and Subsidiary as of December 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mines Management, Inc. and Subsidiary as of December 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the consolidated financial statements, Mines Management, Inc., changed its method of accounting for stock-based compensation in 2003.

LeMaster & Daniels PLLC

Spokane, Washington
February 19, 2004



Part I

Mines Management, Inc. and Subsidiary
Consolidated Balance Sheets

	December 31,	
	<u>2003</u>	<u>2002</u>
		(as restated)
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 282,637	\$ 263,475
Accounts receivable	-	760
Interest receivable	15,742	-
Prepaid expenses	7,500	500
Total current assets	<u>305,879</u>	<u>264,735</u>
MINERAL PROPERTIES	504,492	368,681
PROPERTY AND EQUIPMENT:		
Mine buildings	12,926	11,031
Equipment	44,098	44,098
Office equipment	35,141	12,596
	<u>92,165</u>	<u>67,725</u>
Less accumulated depreciation	67,061	64,858
	<u>25,104</u>	<u>2,867</u>
INVESTMENTS:		
Certificates of deposit	1,000,000	-
Available-for-sale securities	54,260	14,298
	<u>1,054,260</u>	<u>14,298</u>
	<u>\$ 1,889,735</u>	<u>\$ 650,581</u>

See accompanying notes to financial statements.



Mines Management, Inc. and Subsidiary
Consolidated Balance Sheets

	December 31,	
	2003	2002
		(as restated)
Liabilities and Stockholders' Equity		
CURRENT LIABILITIES:		
Accounts payable	\$ 26,869	\$ 43,438
State income taxes payable	800	164
Due to officer	12,583	-
Severance currently payable	60,000	-
Payroll taxes payable	8,404	1,971
Total current liabilities	<u>108,656</u>	<u>45,573</u>
OTHER LIABILITIES:		
Severance payable, long term	<u>80,000</u>	<u>-</u>
Total liabilities	<u>188,656</u>	<u>45,573</u>
COMMITMENTS		
STOCKHOLDERS' EQUITY:		
Common stock – 100,000,000 shares, \$0.01 par value, authorized; 8,724,708 and 6,202,956 shares issued and outstanding	87,247	62,030
Preferred stock – 10,000,000 shares, no par value, authorized	-	-
Additional paid-in capital	4,186,497	1,879,985
Retained earnings (deficit)	(2,615,760)	(1,340,140)
Accumulated other comprehensive income	43,095	3,133
Total stockholders' equity	<u>1,701,079</u>	<u>605,008</u>
	<u>\$ 1,889,735</u>	<u>\$ 650,581</u>

See accompanying notes to financial statements.



Mines Management, Inc. and Subsidiary
Consolidated Statements of Income

	Years Ended December 31,	
	<u>2003</u>	<u>2002</u>
		(as restated)
REVENUE:		
Royalties	\$ 6,038	\$ 5,470
OPERATING EXPENSES:		
Depreciation	2,203	844
Administrative	116,024	3,770
Legal, accounting, and consulting	90,802	28,094
Miscellaneous	823	8,287
Oil and gas operating	3,208	1,442
Rent and office	47,522	6,257
Salaries, officer and staff	216,612	13,649
Taxes and licenses	21,836	5,692
Telephone	8,493	3,966
Exploration	-	7,454
Fees, filing, and licenses	24,234	25,043
Commissions	68,440	-
Directors' and officers' compensation	140,000	150,000
Stock option expense	560,800	52,480
Total operating expenses	<u>1,300,997</u>	<u>306,978</u>
LOSS FROM OPERATIONS	(1,294,959)	(301,508)
OTHER INCOME:		
Interest	16,115	430
Miscellaneous	3,224	-
	<u>19,339</u>	<u>430</u>
NET LOSS	<u>\$(1,275,620)</u>	<u>\$ (301,078)</u>
NET LOSS PER SHARE	<u>\$ (0.180)</u>	<u>\$ (0.055)</u>
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING	<u>7,234,703</u>	<u>5,472,460</u>

See accompanying notes to financial statements.



Mines Management, Inc. and Subsidiary
Consolidated Statements of Stockholders' Equity

Years Ended December 31, 2003 and 2002

	Common Stock		Issuable Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount				
BALANCES, DECEMBER 31, 2001	4,946,956	\$49,470	90,000	\$22,500	\$1,362,365	\$(1,039,062)	\$846	\$396,119
Common stock issued for cash	786,000	7,860	-	-	295,340	-	-	303,200
Common stock issued for services	5,000	50	-	-	1,950	-	-	2,000
Common stock issued to directors	375,000	3,750	-	-	146,250	-	-	150,000
Issuance of stock options	-	-	-	-	52,480	-	-	52,480
Issuable common stock issued	90,000	900	(90,000)	(22,500)	21,600	-	-	-
Comprehensive loss:								
Adjustment to net unrealized gain on marketable securities	-	-	-	-	-	-	2,287	2,287
Net loss	-	-	-	-	-	(301,078)	-	(301,078)
Comprehensive loss								(298,791)
BALANCES, DECEMBER 31, 2002*	6,202,956	62,030	-	-	1,879,985	(1,340,140)	3,133	605,008
Common stock issued for cash	1,960,506	19,605	-	-	1,751,324	-	-	1,770,929
Exercise of stock options	561,246	5,612	-	-	(5,612)	-	-	-
Issuance of stock options	-	-	-	-	560,800	-	-	560,800
Comprehensive loss:								
Adjustment to net unrealized gain on marketable securities	-	-	-	-	-	-	39,962	39,962
Net loss	-	-	-	-	-	(1,275,620)	-	(1,275,620)
Comprehensive loss								(1,235,658)
BALANCES, DECEMBER 31, 2003	8,724,708	\$87,247	-	\$-	\$4,186,497	\$(2,615,760)	\$43,095	\$1,701,079

See accompanying notes to financial statements.

*Restated



Mines Management, Inc. and Subsidiary
Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2003	2002
		(as restated)
Increase (Decrease) in Cash and Cash Equivalents		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(1,275,620)	\$ (301,078)
Adjustments to reconcile net loss to net cash used in operating activities:		
Issuance of common stock to directors	-	150,000
Issuance of common stock for services	-	2,000
Issuance of stock options	560,800	52,480
Common stock received in exchange for services performed	-	(11,165)
Depreciation	2,203	844
Changes in assets and liabilities:		
Accounts receivable	760	1,764
Interest receivable	(15,742)	-
Prepaid expenses	(7,000)	-
Accounts payable	(3,986)	40,845
Severance payable	140,000	-
State income taxes payable	636	-
Payroll taxes payable	6,433	966
Net cash used in operating activities	<u>(591,516)</u>	<u>(63,344)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of office equipment	(24,440)	(1,873)
Purchase of certificates of deposit	(1,000,000)	-
Increase in mineral properties	(135,811)	(8,501)
Net cash used in investing activities	<u>(1,160,251)</u>	<u>(10,374)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sales of common stock	<u>1,770,929</u>	<u>303,200</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,162	229,482
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	263,475	33,993
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 282,637</u>	<u>\$ 263,475</u>
Supplemental Disclosure of Cash Flows Information:		
Income taxes paid	\$ 549	\$ 150
Noncash Financing Activity:		
Issue shares of common stock for services	\$ -	\$ 152,000

See accompanying notes to financial statements.



Mines Management, Inc. and Subsidiary
Notes to Consolidated Financial Statements

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES:

Organization:

Mines Management, Inc. (the Company) is a publicly held Idaho corporation incorporated in 1947. The Company acquires, explores, and develops mineral and oil properties principally in North America. The Company performed exploration activities in South America in 2002.

Summary of Significant Accounting Policies:

- a. The accompanying consolidated financial statements include the accounts of Mines Management, Inc., and its wholly-owned subsidiary, Newhi, Inc. Intercompany balances and transactions have been eliminated. Newhi, Inc., was formed by the Company for the purpose of merger with Heidelberg Silver Mining Company, Inc. In the merger, completed on April 15, 1988, Heidelberg Silver Mining Company, Inc., was merged into Newhi, Inc. To effect the merger, the Company issued 367,844 shares of its previously unissued common stock. Also in connection with this merger, the Company issued 11,117 shares of common stock and paid \$4,446 as a finders' fee.
- b. The Company capitalizes acquisition and exploration costs on nonoperating mining properties. Costs to maintain the mineral rights and leases are expensed as incurred. Upon commencement of operations, the capitalized costs will be amortized based on proven or probable reserves. Capitalized costs are charged to operations as impairment losses when title to the property has expired or when management believes the properties are not economically feasible to develop or hold for future development.
- c. In accordance with Financial Accounting Standards Board (FASB) Statement No. 144, Accounting for Impairment of Long-Lived Assets, the Company reviews its long-lived assets quarterly to determine if any events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. Management does not believe that any impairment adjustment is needed to the carrying value of assets at December 31, 2003.
- d. Property and equipment are stated at cost. Buildings and leasehold improvements are depreciated on the straight-line basis over an estimated useful life of 39 years. Machinery and furniture are generally being depreciated using accelerated methods over estimated useful lives ranging from 5 to 10 years.
- e. Basic and diluted loss per share are computed using the weighted average number of shares outstanding during the year (7,234,703 and 5,472,460 in 2003 and 2002, respectively). Stock options and warrants outstanding are antidilutive and are not considered in the computation.
- f. Cash and cash equivalents include cash on hand, cash in banks, investments in certificates of deposit with maturities less than 90 days, and money market funds.



Mines Management, Inc. and Subsidiary
Notes to Consolidated Financial Statements

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

- g. Deferred income tax is provided for differences between the bases of assets and liabilities for financial and income tax reporting. A deferred tax asset, subject to a valuation allowance, is recognized for estimated future tax benefits of tax-basis operating losses being carried forward.
- h. 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 may differ from those estimates.
- i. Certain reclassifications of 2002 amounts have been made to conform with the 2003 financial statement presentation with no effect on previously reported net loss.
- j. At December 31, 2003, the Company has four stock option plans, which are described more fully in note 6. Prior to 2003, the Company accounted for stock options issued under the recognition and measurement provisions of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees. No stock-based employee compensation was recognized in previously reported financial statements under APB No. 25, as all options granted had an exercise price equal to the market value of the underlying common stock on the date of the grant. Effective January 1, 2003, the Company adopted the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, for all stock-based employee compensation. In adopting FASB No. 123, the Company elected to restate the prior year presented (2002) to reflect the compensation cost that would have been recognized had the recognition provisions of FASB No. 123 been applied to the stock options granted for that year. The restatement resulted in a \$52,480 increase in the previously reported 2002 net loss (\$0.01 per share) and in additional paid-in capital.

NOTE 2 — STOCKHOLDERS' EQUITY:

Common Stock:

In 2002, the Company sold 370,000 common shares for \$37,000 (\$0.10 per share). In connection with the stock sales, the Company granted warrants to purchase up to 370,000 common shares at \$0.20 per share through June 10, 2003. As of December 31, 2002, warrants for 50,000 shares had been exercised, and the remaining warrants for 320,000 shares were exercised in 2003.

In 2002, the Company sold 366,000 common shares for \$256,200 (\$0.70 per share). In connection with the stock sales, the Company granted warrants to purchase up to 366,000 common shares at \$0.80 per share through November 23, 2003. During 2003, warrants for 316,000 were exercised.



Mines Management, Inc. and Subsidiary
Notes to Consolidated Financial Statements

NOTE 2 — STOCKHOLDERS' EQUITY (continued):

Common Stock (continued):

In 2003, the Company sold 1,152,007 common shares for \$1,267,207 (\$1.10 per share). In connection with the stock sales, the Company granted warrants to purchase up to 1,152,007 common shares at \$1.20 per share through two years from the date of issue. During 2003, warrants for 122,501 shares had been exercised.

At December 31, 2003, warrants to purchase 1,029,506 common shares at \$1.20 per share were outstanding.

Preferred Stock:

The Company has authorized 10,000,000 shares of no-par-value preferred stock. Through December 31, 2003, the Company had not issued any of the authorized preferred stock.

NOTE 3 — MINING PROPERTIES:

Mining properties are comprised of acquisition, exploration, and development costs related to the Advance and Iroquois properties in the Northport region of northeastern Washington State and the Montanore property in northwestern Montana, as shown below:

	December 31,	
	2003	2002
Montanore	\$278,519	\$142,708
Advance	2,139	2,139
Iroquois	223,834	223,834
	<u>\$504,492</u>	<u>\$368,681</u>

The Montanore property (formerly the Noxon property) located in northwestern Montana includes 18 mining claims covering 355 acres plus one 5-acre patented mill site. In August 2002 the Company acquired controlling interest of the Montanore silver copper deposit in Sanders County, Montana. The Company received a quitclaim deed from Noranda Mineral Corp. (Noranda) that elected to withdraw from the project. The mineral rights acquired by the Company are subject to a \$0.20 per ton royalty, and a 5% net profits royalty which would commence after the operator has recovered all of its exploration and development costs. Between 1988 and 2002 Noranda carried out extensive geological, environmental, and engineering studies related to the project that is considered to be one of the largest silver deposits in the world. This work led to Noranda's definition of a resource of 135 million tons containing 260 million ounces of silver and 2 billion pounds of copper. In December 2002, the Company received a quitclaim deed to all intellectual property connected with studies that Noranda carried out on the project.

The Advance property consists of 720 acres of patented mineral rights. Although the Company does not own the overlying surface rights to its patented mineral rights, it does have right of access to explore and mine.

The Iroquois property consists of 64 acres of patented mineral and surface rights and 15 unpatented mining claims containing 300 acres.



Mines Management, Inc. and Subsidiary
Notes to Consolidated Financial Statements

NOTE 4 — INVESTMENTS:

The Company owns ten \$100,000 certificates of deposit. These investments mature in 2008 and earn interest at rates from 3.3% to 3.64%.

The Company owns 45,000 free-trading shares of Bitterroot Resources, Ltd. (BTT) a public Canadian corporation traded on the Toronto Venture Exchange. The shares are held as “available for sale.” This investment is being recorded at fair market value with a corresponding adjustment to stockholders’ equity. The 45,000 free-trading shares at December 31, 2003 and 2002, have an approximate market value of \$20,893 and \$3,133 U.S. funds, respectively. The Company also owns 196,000 free-trading shares of Centram Exploration Ltd., a public Canadian corporation traded on the Toronto Venture Exchange. The shares are held as “available for sale.” The shares were received in year 2002 in exchange for administrative services provided by Mines Management, Inc. The 196,000 free-trading shares at December 31, 2003 and 2002, have an approximate market value of \$33,367 and \$11,165 U.S. funds, respectively.

NOTE 5 — SEVERANCE AGREEMENT:

During the year ended December 31, 2003, the Company entered into a severance agreement with a former officer. The agreement provides for annual severance payments, payable in equal monthly installments, through April 30, 2006. As of December 31, 2003, the Company had the following obligations under the agreement:

Years Ending December 31,	Amount
2004	\$ 60,000
2005	60,000
2006	20,000
	<u>\$140,000</u>

NOTE 6 — STOCK OPTIONS:

During the year ended December 31, 1998, the stockholders of the Company approved two stockbased compensation plans: a nonqualified stock-based compensation plan and a qualified performance based plan. Under the nonqualified plan, the Company may grant options to purchase up to 460,000 shares of common stock. The option price shall not be less than the fair market value on the date of grant of the shares. Stock options shall be exercisable within ten years from the date of the grant of the option. Options granted under the nonqualified plan to date were fully vested upon grant.



Mines Management, Inc. and Subsidiary
Notes to Consolidated Financial Statements

NOTE 6 — STOCK OPTIONS (continued):

At December 31, 2003, the following 1998 nonqualified plan options were outstanding:

	Optionee	Number of Shares Granted	Option Price	Option Period	Expiration
Directors:	Jerry Pogue	100,000	\$0.40 per share	5 years	September 15, 2007

Under the 1998 qualified plan, the Company may grant options to purchase up to 460,000 shares of common stock. The option price shall not be less than the fair market value on the date of grant of the shares. Stock options shall be exercisable within ten years from the date of the grant of the option. Options granted under the qualified plan to date were fully vested upon grant.

At December 31, 2003, the following 1998 qualified plan options were outstanding:

	Optionee	Number of Shares Granted	Option Price	Option Period	Expiration
	Glenn Dobbs	100,000	\$0.82 per share	5 years	December 4, 2007

During the year ended December 31, 2003, the stockholders of the Company approved two new stockbased compensation plans – the 2003 Stock Option Plan (which includes both qualified and nonqualified options) and the 2003 Consultant Stock Compensation Plan. Under the 2003 Stock Option Plan, the Company may grant options to purchase up to 1,200,000 shares of common stock. Under the 2003 Consultant Stock Compensation Plan the Company may grant options to purchase up to 400,000 shares of common stock.

Under both 2003 plans the option price shall be no less than 100% of the fair market value per share on the date of grant. Stock options shall be exercisable within ten years from the date of the grant of the option. Vesting of the options granted under both plans is at the prerogative of the Board of Directors. Options granted under the plans in 2003 were vested immediately except for options issued to Glenn Dobbs, President and Chairman of the Board of Directors. Options issued to Glenn Dobbs were 50% vested at December 31, 2003, and become fully vested upon completion of certain financing arrangements.



Mines Management, Inc. and Subsidiary
Notes to Consolidated Financial Statements

NOTE 6 — STOCK OPTIONS (continued):

At December 31, 2003, the following options were outstanding under the 2003 Stock Option Plan:

Optionee	Number of Shares Granted	Option Price	Option Period	Expiration
Glenn Dobbs	500,000	\$1.60 per share	5 years	March 4, 2008
Douglas Dobbs	40,000	\$1.60 per share	5 years	March 4, 2008
Samantha Pitts	10,000	\$1.60 per share	5 years	March 4, 2008
Roy Franklin	10,000	\$1.85 per share	5 years	August 27, 2008
Bob Russell	100,000	\$1.85 per share	5 years	August 27, 2008
Glenn Dobbs	100,000	\$1.85 per share	5 years	August 27, 2008
	<u>760,000</u>			

At December 31, 2003, the following options were outstanding under the 2003 Consultant Stock Compensation Plan:

Optionee	Number of Shares Granted	Option Price	Option Period	Expiration
Jerry Pogue	100,000	\$1.85 per share	5 years	August 27, 2008

See note 9 regarding subsequent option grants and changes to the 2003 plans.

The fair value of each grant is estimated at the grant date using the Black-Scholes option-pricing model with the following weighted-average assumptions from grants in 2002 and 2003, respectively: dividend rate of 0% for both years, price volatility of 35% and 95%, risk-free interest rates of 3.03 and 1.69, and expected lives of five years for 1998 Plan options issued before December 31, 2002, and one year for the 1998 Plan options issued during 2003, and two years for the 2003 Plan options.



Mines Management, Inc. and Subsidiary
Notes to Consolidated Financial Statements

NOTE 6 — STOCK OPTIONS (continued):

The following summarizes option activity for the years presented:

	Shares Under Option	Weighted-Average Exercise Price Per Share
Balance, at January 1, 2002	450,000	0.38
Issued	410,000	0.51
Forfeited	-	-
Exercised	-	-
Balance at December 31, 2002	860,000	0.44
Issued	920,000	1.66
Forfeited	-	-
Exercised	(720,000)	0.46
Balance at December 31, 2003	1,060,000	1.49

Options outstanding at December 31, 2003, have a remaining contractual life of approximately four years.

NOTE 7 — CONCENTRATION OF CREDIT RISK:

The Company maintains its cash and cash equivalents in one financial institution. Balances are insured by the Federal Deposit Insurance Corporation up to \$100,000 per institution.

NOTE 8 — DEFERRED INCOME TAX:

At December 31, 2003 and 2002, the Company had deferred tax assets which were fully reserved by valuation allowances. Following are the components of such assets and allowances:

	December 31,	
	2003	2002
Deferred tax assets arising from:		
Net operating loss carryforwards	\$185,000	\$114,000
Stock option compensation	96,000	8,000
Accrued severance compensation	21,000	-
	302,000	122,000
Less valuation allowance	302,000	122,000
Net deferred tax assets	\$ -	\$ -



Mines Management, Inc. and Subsidiary
Notes to Consolidated Financial Statements

NOTE 8 — DEFERRED INCOME TAX (continued):

For the years the presented, the effective income tax rate differed from the expected rate because of the effects of annual changes in the deferred tax asset valuation allowance. Changes in the deferred tax asset valuation allowance for 2003 and 2002 relate only to corresponding changes in deferred tax assets for those years.

At December 31, 2002, the Company had federal tax-basis net operating loss carryforwards totaling approximately \$1,230,000, which will expire in various amounts from 2004 through 2023.

NOTE 9 — SUBSEQUENT EVENTS:

Subsequent to December 31, 2003, the following events occurred:

1. The Company completed a private placement stock offering in which 1,100,000 shares were issued at \$5 per share for a total of \$5,500,000 gross proceeds. In addition, the Company granted the purchasers warrants allowing the purchase of 275,000 shares at \$7.25. The warrants expire five years from issuance. The Company paid finder's fee of 7% cash (\$385,000) and warrants to purchase 165,000 common shares at \$7.25 per share.
2. The Company commenced (but did not close) a second private placement stock offering in which up to 250,000 shares may be issued at \$5 per share. In addition, the Company will grant one warrant for four shares sold allowing the purchase a common share at \$7.25.
3. The Board of Directors granted options to purchase 650,000 common shares under the 2003 Stock Option Plan. The Board also approved, subject to stockholder approval, increases in the maximum number of common shares available under the 2003 Stock Option Plan to 3,000,000 shares and 700,000 shares under the 2003 Consultant Stock Compensation Plan.

The Company has agreed to file a registration statement covering the above private placement shares with the Securities and Exchange Commission within seven days following the acceptance of the Company's application to trade on the American Stock Exchange.

The following is an unaudited consolidated pro forma balance sheet as of December 31, 2003, giving effect to the funds raised during January and February 2004.



Mines Management, Inc. and Subsidiary
Notes to Consolidated Financial Statements

NOTE 9 — SUBSEQUENT EVENTS (continued):

	Pro Forma Historical	Unaudited Adjustment	Pro Forma
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 282,637	\$ 5,115,000	\$ 5,397,637
Interest receivable	15,742	-	15,742
Prepaid expenses	7,500	-	7,500
Total current assets	<u>305,879</u>	<u>5,115,000</u>	<u>5,420,879</u>
MINERAL PROPERTIES	<u>504,492</u>	<u>-</u>	<u>504,492</u>
PROPERTY AND EQUIPMENT:			
Mine buildings	12,926	-	12,926
Equipment	44,098	-	44,098
Office equipment	<u>35,141</u>	<u>-</u>	<u>35,141</u>
	92,165	-	92,165
Less accumulated depreciation	<u>67,061</u>	<u>-</u>	<u>67,061</u>
	<u>25,104</u>	<u>-</u>	<u>25,104</u>
INVESTMENTS:			
Certificates of deposit	1,000,000	-	1,000,000
Available-for-sale securities	<u>54,260</u>	<u>-</u>	<u>54,260</u>
	1,054,260	-	1,054,260
	<u>\$ 1,889,735</u>	<u>\$ 5,115,000</u>	<u>\$ 7,004,735</u>



Mines Management, Inc. and Subsidiary
Notes to Consolidated Financial Statements

NOTE 9 — SUBSEQUENT EVENTS (continued):

	Pro Forma Historical	Unaudited Adjustment	Pro Forma
Liabilities and Stockholders' Equity			
CURRENT LIABILITIES:			
Accounts payable	\$ 26,869	\$ -	\$ 26,869
State income taxes payable	800	-	800
Due to officer	12,583	-	12,583
Severance currently payable	60,000	-	60,000
Payroll taxes payable	8,404	-	8,404
Total current liabilities	108,656	-	108,656
OTHER LIABILITIES:			
Severance payable, long term	80,000	-	80,000
Total liabilities	188,656	-	188,656
COMMITMENTS			
STOCKHOLDERS' EQUITY:			
Common stock – 100,000,000 shares, \$0.01 par value, authorized	87,247	11,000	98,247
Preferred stock – 10,000,000 shares, no par value, authorized	-	-	-
Additional paid-in capital	4,186,497	5,104,000	9,290,497
Retained earnings (deficit)	(2,615,760)	-	(2,615,760)
Accumulated other comprehensive income	43,095	-	43,095
Total stockholders' equity	1,701,079	5,115,000	6,816,079
	\$ 1,889,735	\$ 5,115,000	\$ 7,004,735