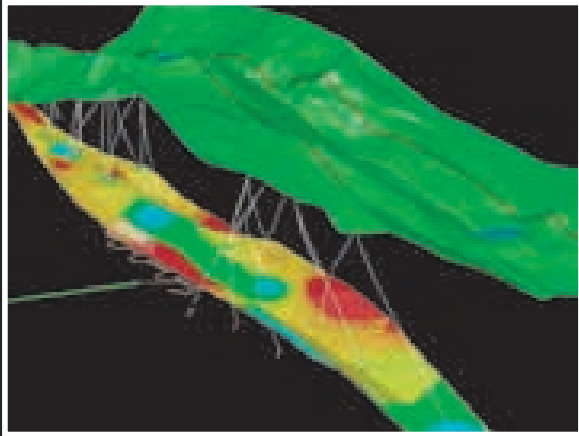




Mines Management, Inc. Annual Report



Unearthing Life's Key Ingredients

2008



Mines Management, Inc.

Company Profile

Mines Management, Inc. is a U.S. based mineral company engaged in the exploration, acquisition and development of precious and base metals deposits. The company's primary focus is the advancement of the Montanore Silver-Copper Project, a U.S. based silver-copper deposit located in northwestern Montana.

Acquired in 2002 after the withdrawal of its previous operator, the Montanore deposit contains large deposits of silver and copper, and has been the subject of a significant amount of work in an effort to advance the project toward development, including more than 60,000 feet of diamond core drilling, construction of site facilities and infrastructure for underground exploration drilling, construction of an evaluation adit 14,000 feet in length, mine planning and engineering, and initiation of re-permitting activities.

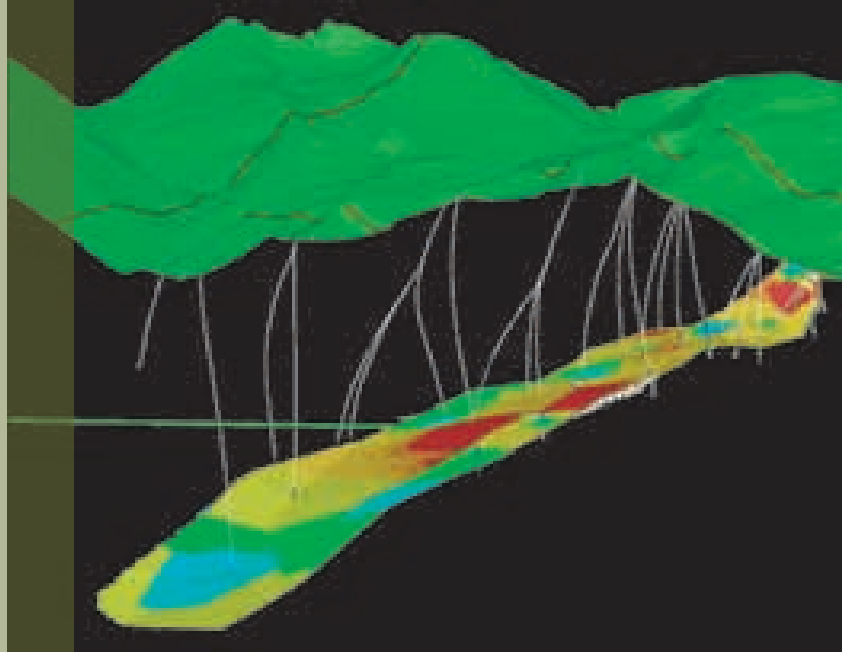
Mines Management's goal is to advance the Montanore Project toward development through the completion of a bankable feasibility study and successful completion of the re-permitting process.



Annual General Meeting of Shareholders (AGM)

Date: Thursday, June 18th, 2009
Time: 2:00 p.m.
Location: Red Lion River Inn
700 North Division - Room Shoreline A
Spokane, Washington 99202
Phone: (509) 326-5577

President's Letter to Shareholders



Dear Fellow Shareholders,

The year 2008 was a year of mixed blessings as your company advanced the Montanore Silver-Copper Project in the face of one of the most dramatic economic collapses in the past century. While economies globally became severely weakened from the onset of a “credit hangover” which impacted sectors ranging from banking and real estate to real commodities, Mines Management moved steadily forward at the Montanore Project constructing infrastructure to support its underground drilling and evaluation program and ongoing navigation through the re-permitting of the project. Corporately, Mines Management remains well cashed up and has implemented its plan to carefully husband its cash and still advance the Montanore project.

The global economy continues to be affected with aftershocks of the initial contraction and many analysts predict the recession to be long and deep. With the contraction of consumer markets and commercial construction, the prices of commodities have declined by 28% from \$14.93 per ounce silver to \$10.79, and 54% from \$3.05 per pound of copper to \$1.39 during the year. This has already had a profound effect on the ability of small highly leveraged companies to finance their activities. One result has been a significant re-rating of market valuations for companies and their projects. In the second half of 2008 Mines Management initiated a deliberate process to identify and evaluate properties that would compliment the Montanore project. It is our intention to add at least one advanced stage property to the company's portfolio.

Even as the global markets contracted in 2008 we continued installation of infrastructure at the Montanore project. In spite of being closed for more than a decade we found that the Libby Adit was in excellent condition. In the interest of safety, rehabilitation work included enhanced roof support and installation of a \$1.2 million water filtration treatment plant. The result is a clean and well organized project site with processes implemented to ensure safety of our workers, a compact operating footprint and an operation with exceptional environmental standards.



President's Letter to Shareholders, continued

The re-permitting process continued apace with completion of the second preliminary draft of the Environmental Impact Statement (EIS). In March we announced the State of Montana's affirmation of the original operating permits issued in 1993, a major step that ensures our ability to move ahead with much of our program to evaluate and better define the deposit. In February, 2009, the draft EIS was completed and put out for a 90 day public comment period.

We have been very pleased with the large and enthusiastic local and statewide public support for the Montanore Project. The company has become an active member of the Libby community and participates in many community events including sponsorship of the local hospital and rodeo. Although we have essential State permits in hand which allow greatly expanded work at the Montanore, we are optimistic that completion of the EIS and issuance of the Record of Decision by the U.S. Forest Service lie ahead. We remain confident that the Montanore project will be permitted and are hopeful that final permitting will be achieved in the first half of 2010.

We greatly value and appreciate the support of members of the local Libby community as well as the patience and support of our loyal shareholders as we strive to advance this very large scale project. Thank you all for your consideration and support and if you ever have any questions regarding the Montanore or the company in general, please feel free to contact us.

Glenn M. Dobbs
President and Chief Executive Officer

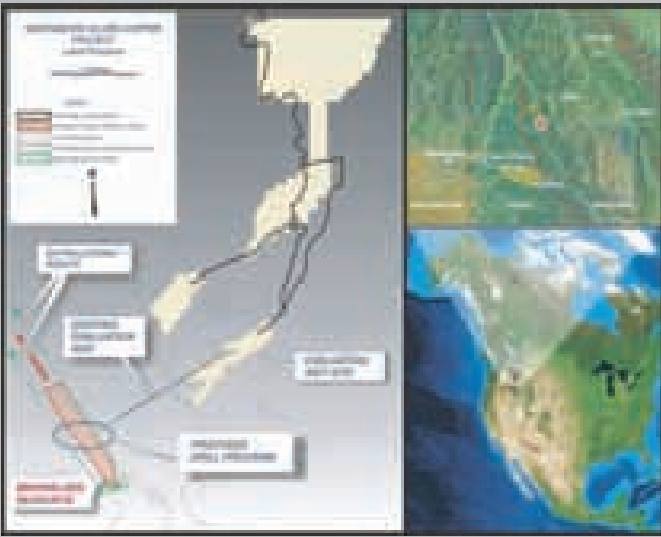
Highlights 2008



- Received notice from Montana Department of Environmental Quality (DEQ) confirming that the Hard Rock operating permit 150, originally issued in 1993, was transferred to the Company with the acquisition of the Noranda Minerals Corporation in 2006.
- Received approval from the Montana State Department of Commerce of the proposed Hard Rock Mining Impact Plan for the Montanore Project.
- Engaged Small Mine Development as contractor to manage activities related to advancement of the Libby adit and drill station development.
- Excavated two sumps and placed them into service as part of the adit dewatering system in August 2008.
- Awarded the engineering contract for the water treatment plant nitrate circuit.
- Completed and released draft Environmental Impact Statement for public comment in February 2009.

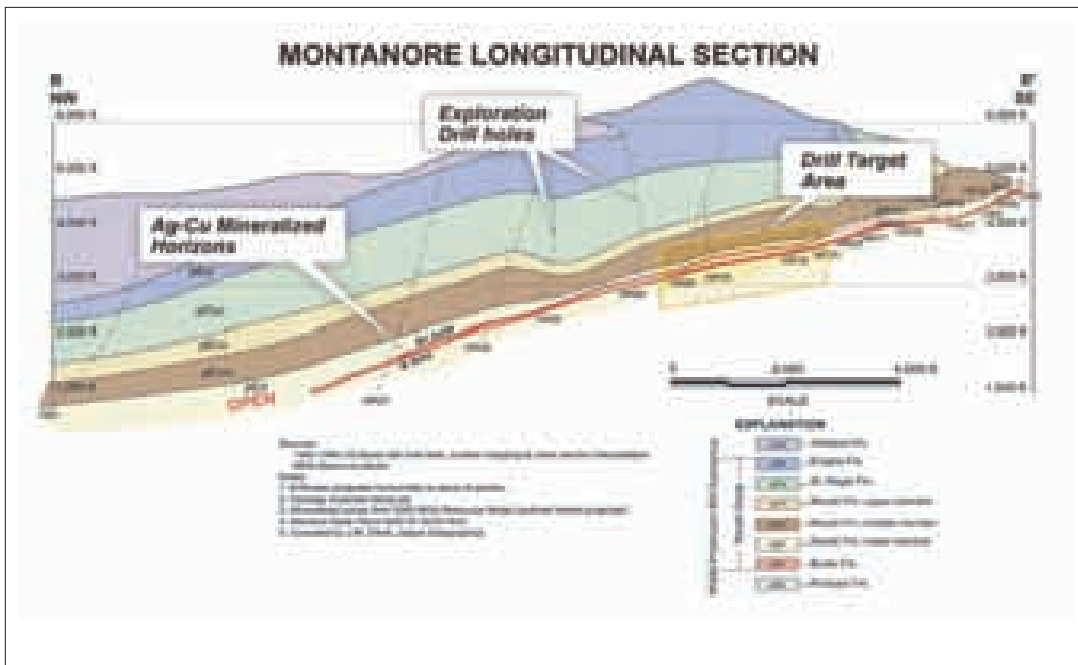
Plan of Operations

MONTANORE PROJECT



The Montanore Silver-Copper Project is an advanced exploration stage project currently undergoing activities designed to advance the project toward development. The two primary activities are:

- Advanced exploration and delineation drilling program - Information gained from the program is designed to further delineate a silver-copper orebody and support a bankable feasibility study.
- Re-permitting process - With current permits originally approved by the State in 1993, the company is working through a NEPA process to update the Environmental Impact Statement (EIS).



Discovered in 1983, previous exploration on the Montanore Deposit identified multiple zones containing silver and copper mineralization similar to other large, disseminated deposits in the region.

The Montanore is part of the Belt Supergroup Basin which is host to many other significant deposits of silver and base metals. The famed Coeur d'Alene Silver District of northern Idaho, located approximately 40 miles south of the Montanore Project, boasts historical

production reportedly in excess of 1 billion ounces over more than 100 years.

Mines Management's interest in the Montanore deposit dates to its discovery in the early 1980's, and its current ownership stems from acquisition of 100% control in 2002 when the previous operator, Noranda Minerals, withdrew from the project.

Plan of Operations, continued

GEOLOGY & MINERALIZED MATERIAL



The silver-copper mineralization at Montanore is strata-bound in the upper portions of the lower Revett Formation. Copper and silver values are carried predominately in the minerals bornite, chalcocite, chalcopyrite and native silver in variable proportions and concentrations. The mineralized zone crops out at the surface and extends down dip at least 12,000 ft to the north-northwest. The mineralization is open ended in the down dip direction.

Both zones dip to the northwest between 15 degrees and 30 degrees, with an average of just over 15 degrees. The width of the main (B) horizon, in plan view, is defined by a fault on one side and a fold axis on the other, varies from 804 feet to 3,540 feet. The property boundaries, however, limit the controlled portion of the deposit to a maximum of 2,000 feet. The average thickness for each of the two horizons is 35 feet, depending upon cutoff. A NI 43-101 Technical Report for the deposit summarized the resource as follows:



Non-Reserves - Mineralized Material; Measured, Indicated and Inferred Resources Non-Reserves Reported in the United States. The estimate of mineralized material set forth below was prepared by Mine Development Associates, referred to as MDA. The estimate was prepared in accordance with SEC Industry Guide 7.

Mineralized Material Estimate in accordance with U.S. SEC Industry Guide 7

	Tons	Silver Grade (Oz. per ton)	Copper Grade	Cutoff Grade (Silver Oz. Per ton)
Mineralized Material	81,506,000	2.04	0.75%	1.0

Non-Reserves Reported in Canada. In accordance with Canada's National Instrument 43-101, the estimate of resources at the Montanore deposit as set forth below was prepared by MDA. Steve Ristorcelli, R.P. Geo., C.P.G., and David C. Fitch, C.P.G., acting on behalf of MDA, are the qualified persons under Canada's National Instrument 43-101 for this resource estimate. The technical report containing this estimate can be accessed in its entirety at www.sedar.com.

Cautionary Note to U.S. Investors concerning estimates of Measured and Indicated Mineral Resources

This section uses the terms "measured mineral resources" and "indicated mineral resources." We advise U.S. investors that while these terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. **U.S. investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into mineral reserves.**

Cautionary Note to U.S. Investors concerning estimates of Inferred Mineral Resources

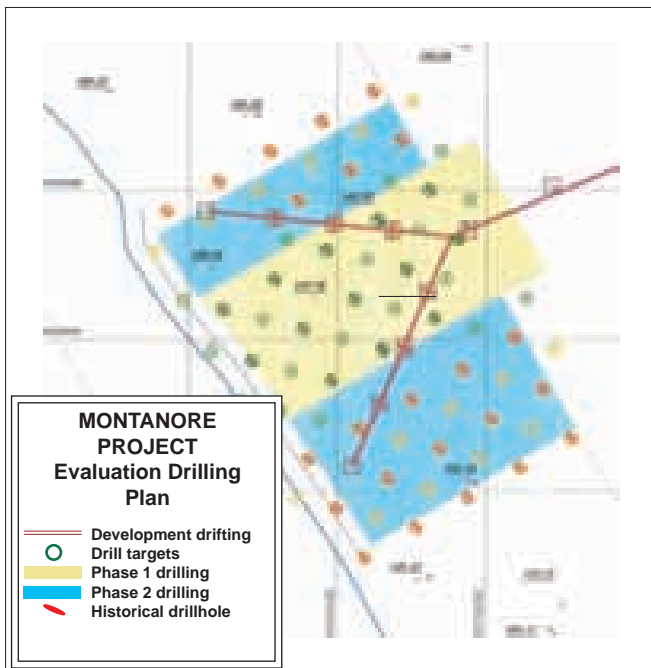
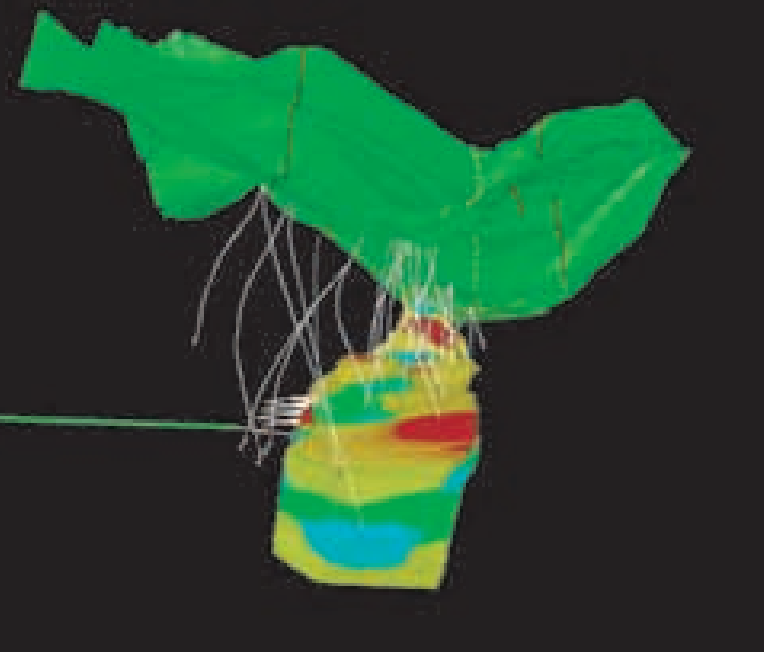
This section uses the term "inferred mineral resources." We advise U.S. investors that while this term is recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize it. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. In accordance with Canadian rules, estimates of inferred mineral resources cannot form the basis of feasibility or other economic studies. **U.S. investors are cautioned not to assume that part or all of the inferred mineral resource exists, or is economically or legally mineable.**

Resource Estimate as presented in accordance with Canada's National Instrument 43-101

	Tons	Silver Grade (Oz. per ton)	Copper Grade	Cutoff Grade (Silver Oz. per ton)
Measured	4,026,000	1.85	0.74%	1.0
Indicated	77,480,000	2.05	0.75%	1.0
Inferred	35,080,000	1.85	0.71%	1.0

Plan of Operations, continued

CURRENT ACTIVITIES



- ***Evaluation Drilling Program***

The advanced exploration and delineation drilling program is designed to assist with the completion of a bankable feasibility study. Analysis of engineering and geologic modeling have enabled the company to advance its understanding of the mining and processing methods that may be used to develop the Montanore Silver-Copper Project.

The next stage of our drilling program involves completing an additional 25,000 feet of diamond core drilling and undertaking additional metallurgical and geotechnical testing and analysis. If successful, these will support completion of a bankable feasibility study, which provides the basis for financing for development of the Montanore project.

- ***Re-Permitting***

The Montanore Silver-Copper Project originally received its permits for development in 1993 following several years of assessment. Mines Management reinitiated the permitting process in 2005, which includes the completion of an Environmental Impact Statement (EIS) under the NEPA statutes.

The original state operating permit was reaffirmed in March, 2008, and the Draft EIS was completed in February, 2009. Completion of the Draft EIS is followed by 90-day period of public review, incorporation of public comments, publication of the Final EIS, and issuance of a Record of Decision.

Following issuance of the Record of Decision and the favorable resolution of any appeals or legal challenges to the Record of Decision, we would receive the permits required for development of the Montanore Silver-Copper Project.

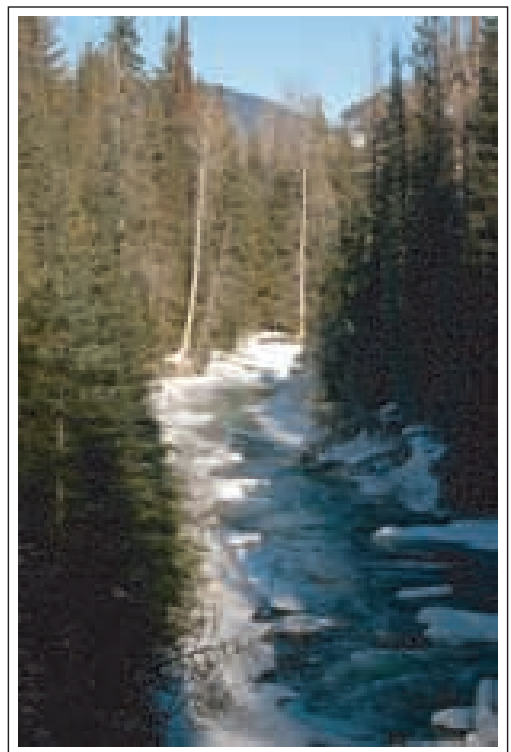
Plan of Operations, continued

ENVIRONMENTAL



Protecting and Preserving

Mines Management, Inc. operates under the basic tenet that mineral wealth is limited in supply, and that we must be good stewards, protecting and conserving our natural resources, in order for modern society to function and prosper.





STOCK INFORMATION

STOCK INFORMATION

MARKETS

NYSE Amex
 Stock Symbol: MGN
 Toronto Stock Exchange
 Stock Symbol: MGT
 Warrant Symbol: MGT.Wt

FOUNDED 1947

SHARE CAPITAL (as of March 12, 2009)

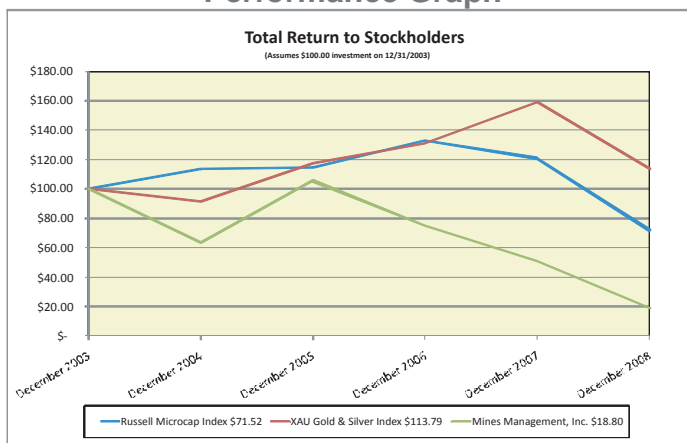
Shares Outstanding: 22,756,848
 Stock Options: 2,258,000
 Warrants: 5,300,784
 Shares Fully Diluted: 30,315,632

TRANSFER AGENT

United States
 Computershare Trust Company
 P.O. Box 1596
 Denver, Colorado 80201
 Phone (Shareholder Services): (800)962-4284

Canada
 Computershare Investors Services, Inc.
 100 University Avenue - 9th Floor
 Toronto, Ontario
 Canada
 Phone (Shareholder Services): (800)962-4284

Performance Graph



SHARE PRICE TRADING RANGES

Fiscal Year	NYSE Amex (US\$)		TSX (Cdn\$)	
	High	Low	High	Low
2008:				
First Quarter	\$ 4.39	\$ 3.21	\$ 4.35	\$ 3.32
Second Quarter	\$ 3.87	\$ 2.64	\$ 3.93	\$ 2.75
Third Quarter	\$ 3.25	\$ 1.29	\$ 3.29	\$ 1.14
Fourth Quarter	\$ 1.79	\$ 0.57	\$ 1.90	\$ 0.70
2007:				
First Quarter	\$ 6.44	\$ 4.53	\$ 7.50	\$ 5.11
Second Quarter	\$ 5.33	\$ 3.33	\$ 6.10	\$ 3.52
Third Quarter	\$ 4.12	\$ 2.82	\$ 4.25	\$ 2.94
Fourth Quarter	\$ 4.80	\$ 2.99	\$ 4.49	\$ 3.01

We will provide, without charge, a copy of our Annual Report on Form 10-K for 2008 (including financial statements, but excluding exhibits) to any stockholder who requests one. Request should be directed to Mines Management, Inc., Investor Relations, 905 West Riverside Ave. - Suite 311, Spokane, Washington 99201. Copies of the 10-K and all exhibits thereto may also be obtained from our website: www.minesmanagement.com, or the SEC's website: www.sec.gov.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

OR

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

For the transition period from _____ to _____

Commission file number 001-32047

MINES MANAGEMENT, INC.

(Exact Name of Registrant as Specified in its Charter)

Idaho
(State of Incorporation or Organization)

**905 W. Riverside Avenue, Suite 311
Spokane, Washington**

(Address of principal executive office)

91-0538859
(I.R.S. Employer Identification No.)

99201
(Zip Code)

(509) 838-6050

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, \$0.001 par value

NYSE Alternext US

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 30, 2008, was approximately \$51.9 million based on the closing price of the Common Stock on the NYSE Alternext US of \$2.78 per share. The number of shares of our common stock outstanding as of March 12, 2009 was 22,756,848.

Certain information required for Items 10, 11, 12, 13 and 14 of Part III of this Annual Report on Form 10-K is incorporated by reference to the Registrant's Definitive Proxy Statement for the 2009 Annual Meeting of Stockholders to be filed no later than April 30, 2009.

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FORWARD LOOKING STATEMENTS

Some information contained in or incorporated by reference into this report may contain forward looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements include comments regarding further exploration and evaluation of the Montanore Project, including planned rehabilitation and extension of the Libby adit, drilling activities, feasibility determination, engineering studies, environmental and permitting requirements, process and timing, and estimates of mineralized material and measured, indicated and inferred resources; financing needs; the markets for silver and copper; planned expenditures in 2009 and 2010; and potential completion of a bankable feasibility study. The use of any of the words “anticipate,” “estimate,” “expect,” “may,” “project,” “should,” “believe,” and similar expressions are intended to identify uncertainties. We believe the expectations reflected in those forward looking statements are reasonable. However, we cannot assure that the expectations will prove to be correct. Actual results could differ materially from those anticipated in these forward looking statements as a result of the factors set forth below and other factors set forth and incorporated by reference into this report:

- Worldwide economic and political events affecting the supply of and demand for silver and copper, and the availability and cost of financing for mining projects
- Volatility in the market price for silver and copper
- Financial market conditions and the availability of financing on acceptable terms or on any terms
- Uncertainty regarding whether reserves will be established at Montanore
- Uncertainties associated with developing new mines
- Variations in ore grade and other characteristics affecting mining, crushing, milling and smelting and mineral recoveries
- Geological, technical, permitting, mining and processing problems
- The availability, terms, conditions and timing of required governmental permits and approvals
- Uncertainty regarding future changes in applicable law or implementation of existing law
- The availability of experienced employees
- The factors discussed under “Risk Factors” in this Annual Report on Form 10-K for the period ending December 31, 2008.

GLOSSARY OF TERMS

We report our reserves to two separate standards to meet the requirements for reporting in both the United States and Canada. U.S. reporting requirements for disclosure of mineral properties are governed by Securities and Exchange Commission Industry Guide 7. Canadian reporting requirements for disclosure of mineral properties are governed by National Instrument 43-101 (“NI 43-101”). The definitions given in NI 43-101 are adopted from those given by the Canadian Institute of Mining Metallurgy and Petroleum.

The definitions for each reporting standard are presented below with supplementary explanation and descriptions of the parallels and differences.

Mineralized material(1)	The term “mineralized material” refers to material that is not included in reserves as it does not meet all of the criteria for adequate demonstration of economic or legal extraction.
Reserves	The term “reserves” refers to that part of a mineral deposit which could be economically and legally extracted or produced.
Non-reserves	The term “non-reserves” refers to mineralized material that is not included in reserves as it does not meet all of the criteria for adequate demonstration of economic or legal extraction.
Exploration stage	An “exploration stage” prospect is one which is not in either the development or production stage.
Development stage	A “development stage” project is one which is undergoing preparation of an established commercially mineable deposit for extraction but which is not yet in production. This stage occurs after completion of a feasibility study.
Production stage	A “production stage” project is one actively engaged in the process of extraction and beneficiation of mineral reserves to produce a marketable metal or mineral product.
NI 43-101 Definitions	
Mineral resource	The term “mineral resource” refers to a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.

- Measured mineral resource** The term “measured mineral resource” refers to that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
- Indicated mineral resource** The term “indicated mineral resource” refers to that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.
- Inferred mineral resource** The term “inferred mineral resource” refers to that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
- Qualified person(2)** The term “qualified person” refers to an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development, production activities and project assessment, or any combination thereof, including experience relevant to the subject matter of the project or report and is a member in good standing of a self-regulating organization.

Additional Definitions

- Adit** A horizontal tunnel or drive, open to the surface at one end, which is used as an entrance to a mine.
- Axis** Intersection of the axial plane of a fold with a particular bed; axial line.

Bankable feasibility study	A comprehensive study of a mineral deposit in which all geological, engineering, legal, operating, economic, social, environmental and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production.
Bornite	An isometric mineral, $1[\text{Cu}_5 \text{FeS}_4]$; metallic; brownish bronze tarnishing to iridescent blue and purple; brittle; massive; in hypogene and contact metamorphic deposits and mafic rocks; a valuable source of copper.
Breccia	Rock consisting of angular fragments of other rocks held together by mineral cement or a fine-grained matrix.
Chalcocite	A monoclinic mineral, $96[\text{Cu}_2 \text{S}]$; pseudo-hexagonal, metallic gray-black with blue to green tarnish; sp gr, 5.5 to 5.8; a secondary vein mineral; an important source of copper.
Chalcopyrite	A tetragonal mineral, CuFeS_2 ; brass-yellow with bluish tarnish; massive; softer than pyrite; occurs in late magmatic hydrothermal veins and secondary enrichment zones; the most important source of copper.
Development	Work carried out for the purpose of opening up a mineral deposit and making the actual ore extraction possible.
Dip	The angle at which a vein, structure or rock bed is inclined from the horizontal as measured at right angles to the strike. A vein is a mineralized zone having a more or less regular development in length, width and depth, which clearly separates it from neighboring rock. A strike is the direction or bearing from true north of a vein or rock formation measured on a horizontal surface.
Drift	A horizontal underground opening that follows along the length of a vein or rock formation as opposed to a cross-cut which crosses the rock formation.
Enechelon	Pattern of off-set mineralized strata similar to stair steps.
Exploration	Work involved in searching for ore, usually by drilling or driving a drift.
Galena	A sulphide mineral of lead, being a common lead ore mineral.
Grade	The average assay of a ton of ore, reflecting metal content.
Horizon	In geology, any given definite position or interval in the stratigraphic column or the scheme of stratigraphic classification; generally used in a relative sense.
Host rock	The rock surrounding an ore deposit.
Interbed	Occurring between distinct rock layers or strata.
Lenoid(al)	Flat lenses of mineralized material between layers of host rock.

Limestone	A bedded, sedimentary deposit consisting chiefly of calcium carbonate.
Lode	A vein of mineral ore deposited between clearly demarcated layers of rock.
Metasediment	A sedimentary rock which shows evidence of having been subjected to metamorphism.
Mineral	A naturally occurring homogeneous substance having definite physical properties and chemical composition and, if formed under favorable conditions, a definite crystal form.
Mineralization	The presence of economic minerals in a specific area or geological formation.
Ore	Material that can be mined and processed that provides a positive cash flow.
Patented mining claim	A patented mining claim is one for which the federal government of the United States has passed its title to the claimant, making it private land. A person may mine and remove minerals from a mining claim without a mineral patent. However, a mineral patent gives the owner exclusive title to the locatable minerals. It also gives the owner title to the surface and other resources.
Precambrian	All geologic time before the Paleozoic era.
Prospect	A mining property, the value of which has not been determined by exploration.
Quartzite	A metamorphic rock formed by the transformation of a sandstone rock by heat and pressure.
Reclamation	The restoration of a site after mining or exploration activity is completed.
Recovery	The percentage of valuable metal in the ore that is recovered by metallurgical treatment.
Siltite	An indurated silt having the texture and composition of shale but lacking its fine lamination or fissility; a massive mudstone in which the silt predominates over clay; a nonfissile silt shale. It tends to be flaggy, containing hard, durable, generally thin layers, and often showing various primary current structures.
Sphalerite	Zinc sulfide based mineral.
Stope	An excavation in the form of steps made by the mining of ore from steeply inclined or vertical veins.
Stratabound	A situation in which mineralization is essentially contained in or confined to a particular sedimentary or volcanic unit.
Stratigraphy	The branch of geology which studies the formation, composition, sequence and correlation of the stratified rock as parts of the earth's crust.

Strike	The direction, or bearing from true north, of a vein or rock formation measured on a horizontal surface.
Sulfide	A compound of bivalent sulfur with an electropositive element or group, especially a binary compound of sulfur with a metal.
Tailings	Material rejected from a mill after more of the recoverable valuable minerals have been extracted.
Trend	The direction, in the horizontal plane, or a linear geological feature (for example, an ore zone), measured from true north.
Unpatented mining claim	A parcel of property located on federal lands pursuant to the General Mining Law of 1872 and the requirements of the state in which the unpatented claim is located, the paramount title of which remains with the federal government of the United States. The holder of a valid, unpatented lode-mining claim is granted certain rights including the right to explore and mine such claim under the U.S. General Mining Law.
Vein	A mineralized zone having a more or less regular development in length, width and depth, which clearly separates it from neighboring rock.

-
- (1) This category is substantially equivalent to the combined categories of measured and indicated mineral resources specified in NI 43-101.
 - (2) Industry Guide 7 does not require designation of a qualified person.

PART I

ITEM 1. BUSINESS

Mines Management, Inc. (together with its subsidiaries, “MMI,” “Mines Management,” the “Company” or “we”), is engaged in the business of acquiring and exploring, and if exploration is successful, developing mineral properties, primarily those containing silver and associated base and precious metals. The Company was incorporated under the laws of the State of Idaho on February 20, 1947. The Company’s executive offices are located at 905 W. Riverside, Suite 311, Spokane, Washington 99201.

Our Properties

The Montanore Project

The Company’s principal mineral property interest, the Montanore Project, is held by its wholly owned subsidiary, Newhi, Inc. The Company’s properties, including the Montanore property, are currently in the exploration stage. The Company has commenced re-permitting of the Montanore Project and is determining its feasibility for development. No property is currently in production.

The Montanore Project is located in northwestern Montana, and from 1988 to 2002 was owned by Noranda Minerals Corporation. During that time the project received an approved environmental impact statement and all of its primary environmental permits. From 1988 to 2002 the Company held royalty rights to a portion of the deposit. In 2002, Noranda announced that it was abandoning the project, and subsequently transferred to the Company by quitclaim deed the patented and unpatented mining claims that control the mineral rights, and all drill core and intellectual property including geologic, environmental and engineering studies, relating to the Montanore Project.

In May 2006, we acquired two Noranda subsidiaries that held title to the property providing access to the 14,000 foot Libby adit and related permits. We have obtained permit revisions that allowed us to reopen the Libby adit and to dewater and rehabilitate the adit. The Libby adit, when extended, will provide access to the Montanore deposit for our planned underground evaluation drilling program. We reopened the Libby adit in June 2006 and water samples and testing were completed in July 2006.

In November 2006, we received another permit revision allowing us to proceed with our planned \$40 million underground evaluation drilling program at the Montanore Project. This advanced exploration and delineation drilling program as currently planned includes the following:

- Development and advancement of the Libby adit by 3,000 feet to access the deposit;
- Drifting of approximately 10,000 feet and establishment of drill stations; and
- Diamond core drilling of approximately 45,000 feet among approximately 50 holes.

Results of the drill program, if successful, are expected to provide data to assist in completion of a bankable feasibility study and further optimization of the mine plan.

Also, in the fourth quarter of 2006, we purchased a site generator and erected a warehouse building at the Libby adit site, along with an office and employee change facility. We established a \$1.124 million stand-by letter of credit in early January 2007 to satisfy reclamation bonding requirements related to our planned exploration at the Libby adit.

In 2007, we completed the construction of site infrastructure to support our planned underground evaluation program at the Montanore Project. This included the design, engineering and construction of a \$1.3 million water treatment plant to process all water pumped out of the adit. The utility design was completed and an initial order of electrical supplies, ventilation material, pumping equipment, and ground control roof bolts and supplies has been delivered to the site. Construction of a dry storage structure for inventory was completed in the fall of 2007.

The initial fleet of surface equipment and underground equipment was purchased at a cost in excess of \$6 million and delivered in the third and fourth quarters of 2007. This equipment includes the following:

- Sandvik Toro 6 LHD
- Sandvik Toro 7 LHD
- Sandvik Toro 40 Haul Dump Truck—Two Units
- Robolt 5 Bolter
- Axers Boom Jumbo Drill
- Telehandler JLG
- 2007 Kawasaki Mule ATB Diesel
- Teledyne Scissor Lift
- Getman Lube Fuel Truck
- Getman Scaler
- Getman Scissor Lift
- Caterpillar 950 Loader
- Caterpillar 420E Backhoe
- Caterpillar 225 KW Generators—Three

In 2008, we continued the testing and installation of the adit dewatering system in preparation for the planned 3,000 foot extension and initiation of the drilling program. Other preparations for the commencement of drifting and delineation drilling included the retention of Small Mines Development, which will manage the adit advancement and the drilling program, engineering for a new nitrate circuit addition to the water treatment facility and installation of the initial sumps and pumping system, consisting of two declining drifts approximately 15 × 15 in section and 80 feet long each. Two sumps were placed into service during the third quarter of 2008. These sumps are part of the overall dewatering system designed to clarify water from the adit before sending it to the water treatment plant on the surface. Construction of the sumps allowed us to test most of the mining equipment that will be used during the adit advancement and future development activities. The jumbo, roof bolter, LHD's, and haul trucks were all used to construct the sumps. Other support equipment saw limited use, such as the explosives loading truck and scissor lift truck.

Engineering and geology work continued during 2008. Geology confirmation mapping is beginning with the adit rehabilitation work down the decline. Currently, a system is being developed to evaluate the water producing areas as they are encountered. Ongoing optimization and trade-off studies will help prepare assumptions that will be used in development of the final feasibility study.

The progress of the planned underground evaluation drilling program has been set back approximately six months as a result of the delayed review and approval process of the required environmental assessment (EA) looking at road use during the drilling program. The EA is contained within our draft Environmental Impact Statement (EIS). The draft EIS was jointly issued by the U.S. Forest Service and the Montana Department of Environmental Quality on February 27, 2009. We expect that the final EIS, including the EA, will be complete in mid to late 2009.

2009 Objectives

- Finalize the exploration drilling station layout and the initial Phase I core drilling program 25,000 foot

- Issuance by the U.S. Forest Service and the Montana Department of Environmental Quality of the final Environmental Impact Statement
- Complete construction of the nitrate circuit for the water treatment plant
- Develop financing initiatives for Phase II delineation drilling and for the bankable feasibility study
- Award contract and commence preparation of a bankable feasibility study

Other Properties

The Company also owns certain patented and unpatented mining claims on zinc properties in northern Washington state referred to as the Iroquois and Advance properties. The Company has not conducted mining activities on these properties since the 1960s. In December 2007, the Company completed an evaluation of the carrying values of the Iroquois and Advance properties relative to their immediate development potential. In connection with the evaluation, the Company wrote down capitalized costs associated with the properties in the amount of \$226,000 which had been recorded in connection with mining activity that occurred in the 1950s. We continue to hold the real property, mining claims, and patented claims underlying the Iroquois and Advance properties. The Company also has a small income from a working interest royalty, acquired more than 40 years ago, in several producing oil wells located in Kansas.

Competition

There is aggressive competition within the minerals industry to discover and acquire properties considered to have commercial potential. When we wish to acquire an exploration project, we typically compete with other entities, most of which have greater resources than we do. In addition, we compete with others in efforts to obtain financing to explore and develop mineral properties.

Employees

As of March 13, 2009, the Company had seven employees located in Spokane, Washington and eleven employees in Libby, Montana. The Company plans to add additional engineering, geological, and operating staff at Libby as the development of our Montanore Project progresses. Outside consultants and contractors are engaged to perform tasks involved in re-permitting the Montanore Project and advancing the adit rehabilitation and drifting. The Company expects to continue to rely on consultants to provide these services in the immediate future.

Regulation

The Company's activities in the United States are subject to various federal, state, and local laws and regulations governing exploration, labor standards, occupational health and mine safety, control of toxic substances, and other matters involving environmental protection and taxation. In addition, it is possible that future changes in these laws or regulations could have a significant impact on the Company's business, causing those activities to be economically reevaluated at that time.

Available Information

We maintain a link to investor relations information on our website, www.minesmanagement.com, where we make available, free of charge, our Securities and Exchange Commission (SEC) filings, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our website and the information contained on or connected to our website is not incorporated by reference herein and our web address is included as an inactive textual reference only.

ITEM 1A. RISK FACTORS.

Our business, operations, and financial condition are subject to various risks. We urge you to consider the following risk factors in addition to the other information contained in, or incorporated by reference into, this Annual Report on Form 10-K.

We have no recent history of production.

We have no recent history of producing silver or other metals. The development of our Montanore Project would require the construction and operation of mines, processing plants, and related infrastructure. As a result, we would be subject to all of the risks associated with establishing a new mining operation and business enterprise. We may never successfully establish mining operations, and any operations may not achieve profitability.

We have a history of losses and we expect losses to continue for at least the next three years.

As an exploration company that has no production history, we have incurred losses since our inception and we expect to continue to incur additional losses for at least the next three years. As of December 31, 2008, we had a deficit accumulated during the exploration stage of \$33.8 million. There can be no assurance that we will achieve or sustain profitability in the future.

We have no proven or probable reserves.

We have no proven or probable reserves on any of our properties. We are currently focused on our Montanore Project. Substantial additional work, including delineation drilling, will be required in order to determine if any proven or probable reserves exist on our Montanore Project. The commercial viability of a mineral deposit once discovered is dependent on a number of factors beyond our control, including particular attributes of the deposit such as size, grade and proximity to infrastructure, as well as metal prices.

Estimates of reserves, mineralized material, resources, and capital and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Material changes in ore reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project. Even if commercial quantities of minerals are discovered, the Montanore Project may not be brought into commercial production.

The exploration of mineral properties is highly speculative in nature, involves substantial expenditures and is frequently non-productive.

Mineral exploration is highly speculative in nature and is frequently non-productive. Substantial expenditures are required to:

- establish ore reserves through drilling and metallurgical and other testing techniques;
- determine metal content and metallurgical recovery processes to extract metal from the ore; and
- design mining and processing facilities.

If we discover ore at the Montanore Project, we expect that it would be several additional years from the initial phases of exploration until production is possible. During this time, the economic feasibility of production could change. As a result of these uncertainties, there can be no assurance that our exploration programs will result in new proven and probable reserves in sufficient quantities to justify commercial operations at the Montanore Project.

Even if our exploration efforts at Montanore are successful, we may not be able to raise the funds necessary to develop the Montanore Project.

If our exploration efforts at Montanore are successful, our current estimates indicate that we would be required to raise approximately \$415 million in external financing to develop and construct the Montanore Project. Sources of external financing could include bank borrowings and debt and equity offerings, but financing has become significantly more difficult to obtain in the current market environment. The failure to obtain financing would have a material adverse effect on our growth strategy and our results of operations and financial condition. There can be no assurance that we will commence production at Montanore or generate sufficient revenues to meet our obligations as they become due or obtain necessary financing on acceptable terms, if at all, and we may not be able to secure the financing necessary to begin or sustain production at the Montanore Project. In addition, should we incur significant losses in future periods, we may be unable to continue as a going concern, and realization of assets and settlement of liabilities in other than the normal course of business may be at amounts significantly different than those included in this Annual Report on Form 10-K.

We may not be able to obtain permits required for development of the Montanore Project.

In the ordinary course of business, mining companies are required to seek governmental permits for expansion of existing operations or for the commencement of new operations. We will be required to obtain numerous permits for our Montanore Project. Obtaining the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions and often involving public hearings and costly undertakings. Obtaining required permits for the Montanore Project may be more difficult due to its location within the Cabinet Wilderness Area, its proximity to core habitat of certain protected species, including the grizzly bear, bull trout and lynx, and the efforts of a third party to permit another mining operation near the Montanore Project. Private groups dedicated to protection of the environment have been active in opposing permitting of other projects in and near the Cabinet Wilderness Area.

In addition, mining projects require the evaluation of environmental impacts for air, water, vegetation, wildlife, cultural, historical, geological, geotechnical, geochemical, soil and socioeconomic conditions. An Environmental Impact Statement would be required before we could commence mine development or mining activities. Baseline environmental conditions are the basis on which direct and indirect impacts of the Project are evaluated and based on which potential mitigation measures would be proposed. If the Montanore Project were found to significantly adversely impact the baseline conditions, we could incur significant additional costs to avoid or mitigate the adverse impact, and delays in the Montanore Project could result.

Permits would also be required for, among other things, storm-water discharge; air quality; wetland disturbance; dam safety (for water storage and/or tailing storage); septic and sewage; and water rights appropriation. In addition, compliance must be demonstrated with the Endangered Species Act and the National Historical Preservation Act.

The duration and success of our efforts to re-permit are contingent upon many variables not within our control. There can be no assurance that we will obtain all necessary permits and, if obtained, that the permitting costs involved will not exceed those that had been previously estimated. It is possible that the costs and delays associated with the compliance with such standards and regulations could become such that we would not proceed with the further exploration, development or operation of a mine or mines at the Montanore Project.

The mining industry is intensely competitive.

The mining industry is intensely competitive. We may be at a competitive disadvantage because we must compete with other individuals and companies, many of which have greater financial resources,

operational experience and technical capabilities than we do. Increased competition could adversely affect our ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future. We may also encounter increasing competition from other mining companies in our efforts to hire experienced mining professionals. Competition for exploration resources at all levels is currently intense, particularly affecting the availability of manpower and exploration equipment.

Our future success is subject to risks inherent in the mining industry.

Our future mining operations, if any, would be subject to all of the hazards and risks normally incident to developing and operating mining properties. These risks include insufficient ore reserves, fluctuations in metal prices and increases in production costs that may make mining of reserves uneconomic; significant environmental and other regulatory restrictions; labor disputes; geological problems; failure of underground stopes and/or surface dams; force majeure events; and the risk of injury to persons, property or the environment.

Our future profitability will be affected by changes in the prices of metals.

If we establish reserves, complete a favorable feasibility study for the Montanore Project, and complete development of a mine, our profitability and long-term viability will depend, in large part, on the market price of silver and copper. The market prices for these metals are volatile and are affected by numerous factors beyond our control, including:

- global or regional consumption patterns;
- supply of, and demand for, silver and copper;
- speculative activities;
- expectations for inflation; and
- political and economic conditions.

The aggregate effect of these factors on metals prices is impossible for us to predict. Decreases in metals prices could adversely affect our ability to finance, the exploration and development of our properties, which would have a material adverse effect on our financial condition and results of operations and cash flows. There can be no assurance that metals prices will not decline. During the five-year period ended December 31, 2008, the high and low settlement prices for silver and copper were \$20.92 and \$6.39 per ounce and \$4.07 and \$1.06 per pound, respectively.

We have ongoing reclamation obligations on the Montanore Project properties.

Although we have posted bonds with the State of Montana to cover expected future mine reclamation costs, there is no guarantee that the amount of these bonds will satisfy the environmental regulations and requirements. Should government regulators determine that additional reclamation work is required, we may be required to fund this work, which could have a material adverse effect on our financial position.

We are subject to significant governmental regulations.

Our operations and exploration and development activities are subject to extensive federal, state, and local laws and regulations governing various matters, including:

- environmental protection;
- management and use of toxic substances and explosives;

- management of natural resources;
- exploration and development of mines, production and post-closure reclamation;
- taxation;
- labor standards and occupational health and safety, including mine safety; and
- historic and cultural preservation.

Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties or enforcement actions, including orders issued by regulatory or judicial authorities enjoining or curtailing operations or requiring corrective measures, installation of additional equipment or remedial actions, any of which could result in us incurring significant expenditures. We may also be required to compensate private parties suffering loss or damage by reason of a breach of such laws, regulations or permitting requirements. It is also possible that future laws and regulations, or a more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspensions of any future operations and delays in the exploration of our properties.

Changes in mining or environmental laws could increase costs and impair our ability to develop our properties.

From time to time the U.S. Congress may consider revisions in its mining and environmental laws. It remains unclear to what extent new legislation may affect existing mining claims or operations. The effect of any such revisions on our operations cannot be determined conclusively until such revision is enacted; however, such legislation could materially increase costs on properties located on federal lands, such as ours, and such revision could also impair our ability to develop the Montanore Project and other mineral projects.

We are subject to environmental risks.

Mineral exploration and mining is subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mineral exploration and production. Insurance against environmental risk (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) is not generally available to us (or to other companies in the minerals industry) at a reasonable price. To the extent that we become subject to environmental liabilities, the satisfaction of those liabilities would reduce funds otherwise available to us and could have a material adverse effect on us. Laws and regulations intended to ensure the protection of the environment are constantly changing, and are generally becoming more restrictive.

The title to some of our properties may be uncertain or defective.

Although the Montanore deposit is held by patented mining claims, a significant portion of our holdings consist of unpatented lode and millsite claims. Certain of our United States mineral rights consist of “unpatented” mining and millsite claims created and maintained in accordance with the U.S. General Mining Law of 1872. Unpatented mining and millsite claims are unique U.S. property interests, and are generally considered to be subject to greater title risk than other real property interests because the validity of unpatented mining and millsite claims is often uncertain. This uncertainty arises, in part, out of the complex federal and state laws and regulations that supplement the General Mining Law. Also, unpatented mining and millsite claims and related rights, including rights to use the surface, are subject to possible challenges by third parties or contests by the federal government. The validity of an unpatented mining or millsite claim, in terms of both its location and its maintenance, is dependent on strict compliance with a complex body of federal and state statutory and

decisional law. In addition, there are few public records that definitively control the issues of validity and ownership of unpatented mining and millsite claims. We have not filed a patent application for any of the unpatented and millsite claims that are located on federal public lands in the United States and, under possible future legislation to change the General Mining Law, patents may be difficult to obtain.

In recent years, the U.S. Congress has considered a number of proposed amendments to the General Mining Law, as well as legislation that would make comprehensive changes to the law. Although no such legislation has been adopted to date, there can be no assurance that such legislation will not be adopted in the future. If ever adopted, such legislation could, among other things, impose royalties on silver and copper production from unpatented mining and millsite claims located on federal lands or impose fees on production from patented mining and millsite claims. Further, it could have an adverse impact on earnings from our operations, could reduce estimates of any reserves we may establish and could curtail our future exploration and development activity on federal lands or patented claims.

While we have no reason to believe that title to any of our properties is in doubt, title to mining properties is subject to potential claims by third parties claiming an interest in them.

The market price of our common stock is subject to volatility and could decline significantly.

Our common stock is listed on the NYSE Alternext US and the Toronto Stock Exchange (TSX).

Securities of small-cap companies such as ours have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. This volatility has been exacerbated in the latter half of 2008 because of global economic disruptions. Our share price is also likely to be significantly affected by short-term changes in silver and copper prices or in our financial condition or results of operations as reflected in our quarterly earnings reports. Other factors unrelated to our performance that could have an effect on the price of our common stock include the following:

- the extent of analytical coverage available to investors concerning our business is limited because investment banks with research capabilities do not follow our securities;
- the trading volume and general market interest in our securities could affect an investor's ability to trade significant numbers of shares of our common stock;
- the relatively small size of the public float will limit the ability of some institutions to invest in our securities; and
- a substantial decline in our stock price that persists for a significant period of time could cause our securities to be delisted from the NYSE Alternext US and the TSX, further reducing market liquidity.

As a result of any of these factors, the market price of our common stock at any given point in time might not accurately reflect our long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. We could in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

We do not intend to pay any cash dividends in the foreseeable future.

We have never paid dividends and any future decision as to the payment of dividends will be at the discretion of our board of directors and will depend upon our earnings, receipt of dividends from our subsidiaries, financial position, capital requirements, plans for expansion and such other factors as our board of directors deems relevant. We intend to retain our earnings, if any, to finance the growth

and development of our business. Any return on an investment in our common stock will come from the appreciation, if any, in the value of our common stock.

Our shareholders are subject to future dilution by the exercise of options and warrants, and the existence of a significant number of options and warrants can depress the price of our common stock.

As of March 12, 2009, we had 22,756,848 shares outstanding. As of that date, there were (i) options outstanding to purchase up to 2,258,000 shares of common stock at exercise prices ranging from \$0.99 to \$5.70 per share and (ii) warrants outstanding to purchase 5,300,784 shares at exercise prices ranging from \$4.00 to \$5.75 per share. We have customarily repriced stock options when the exercise price falls \$1.00 or more below the prevailing market price of our common stock. 2,587,000 additional shares of common stock are available for issuance under our stock option plans. If we issue additional options or warrants, or if currently outstanding options or warrants to purchase our common stock are exercised, the investments of our shareholders would be further diluted. In addition, the potential for exercise of a significant number of options and warrants can have a depressive effect on the market price for our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. DESCRIPTION OF PROPERTIES

The significant properties in which the Company has an interest are described below.

Montanore Property

The Montanore Project is located in Sanders and Lincoln Counties in northwestern Montana and consists of two federal patented mining claims and approximately 1,059 unpatented lode mining claims and mill sites. The unpatented lode claims and mill sites are owned by the Company and are held subject to a \$125 per claim annual payment to the federal government.

The Company's ownership of the Montanore deposit stems primarily from its ownership of two patented mining claims, identified as HR 133 and HR 134, which cover the surface outcrop or "apex" of the gently dipping mineralized beds. According to U.S. mining law, the holders of claims covering the apex of a dipping, tabular deposit own the minerals to depth, even if the deposit passes from beneath the apex claim. For the Company's claims at Montanore, these "extralateral rights" have been confirmed by the U.S. Secretaries of Agriculture and Interior and upheld in U.S. District Court. In addition to the patented apex claims, the Company owns unpatented claims located along the fault which bounds the southwestern margin of the deposit and extends outside of the western border of the Cabinet Wilderness Area.

The Company's property holdings for operational access and infrastructure support for the Montanore Project are located to the east of the deposit, south of the town of Libby, and are accessed from Libby by about 16 miles of secondary road up Libby Creek. The apex of the deposit can be reached from Noxon, the nearest town, by taking State Highway 200 about 2 miles to the east and then north about 5 miles on a secondary graveled road to the junction of the west and east forks of Rock Creek. From this point it is about a 4-mile hike up a Jeep trail behind a locked U.S. Forest Service gate to the deposit outcrop. The deposit outcrops near the border of, and lies entirely within the Cabinet Wilderness Area. Because any future mining of the deposit would take place underground and the Company has access to the deposit from outside the Cabinet Wilderness Area, (our patented mining claims and certain other mineral rights predate the wilderness area designation), we do not believe that any future mining or associated surface activity would impact the wilderness area.

On May 31, 2006, we acquired Hard Rock Operating Permit 150 that covers certain exploration activities and the Montana Pollution Discharge Elimination System (MPDES) water discharge permit for the Montanore Project and title to properties providing access to the portal of the Libby adit. The 14,000 foot Libby adit was constructed in the early 1990s by previous operators. The adit stops approximately 2,000 feet short of the deposit. Prior to our activity in 2006, there were no plant, equipment, subsurface improvements or equipment other than the Libby adit, which was plugged and in reclamation. During the third quarter of 2006, the Company reopened the adit and completed initial water testing to determine the treatment method for water discharged from the adit. The necessary permit revisions were received in November 2006 to undertake a planned \$40 million underground evaluation drilling program over the next two years. Also in the fourth quarter of 2006, we purchased a site generator and erected a warehouse building at the Libby adit site, along with an office and employee change facility. We established a \$1.124 million stand-by letter of credit in early January 2007 to satisfy reclamation bonding requirements related to our planned exploration at the Libby adit. During 2008, we added six additional staff, purchased equipment, and completed the design, procurement, erection and start-up of a water treatment plant to support our planned underground exploration activities. Power for the planned evaluation drilling program will be provided by three on-site Cummins 800 KW generators. The Company owns water rights associated with the Montanore property that it believes will be sufficient for proposed mining activities.

Non-Reserves—Mineralized Material; Measured, Indicated and Inferred Resources

Non-Reserves Reported in the United States. The estimate of mineralized material set forth below was prepared by Mine Development Associates, referred to as MDA. The estimate was prepared in accordance with SEC Industry Guide 7.

Mineralized Material Estimate in accordance with U.S. SEC Industry Guide 7

	<u>Tons</u>	<u>Silver Grade</u> <u>(Ounces per ton)</u>	<u>Copper Grade</u>	<u>Cutoff Grade</u> <u>(Silver ounces per ton)</u>
Mineralized Material	81,506,000	2.04	0.75%	1.0

Non-Reserves Reported in Canada. In accordance with Canada’s National Instrument 43-101, the estimate of resources at Montanore as set forth below was prepared by MDA. Steve Ristorcelli, R.P. Geo., C.P.G., and David C. Fitch, C.P.G., acting on behalf of MDA, are the qualified persons under Canada’s National Instrument 43-101 for this resource estimate. The technical report containing this estimate can be accessed in its entirety at www.sedar.com.

Cautionary Note to U.S. Investors concerning estimates of Measured and Indicated Mineral Resources

This section uses the terms “measured mineral resources” and “indicated mineral resources.” We advise U.S. investors that while these terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. **U.S. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into mineral reserves.**

Cautionary Note to U.S. Investors concerning estimates of Inferred Mineral Resources

This section uses the term “inferred mineral resources.” We advise U.S. investors that while this term is recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize it. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It

cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. In accordance with Canadian rules, estimates of inferred mineral resources cannot form the basis of feasibility or other economic studies. **U.S. investors are cautioned not to assume that part or all of the inferred mineral resource exists, or is economically or legally mineable.**

Resource Estimate as presented in accordance with Canada’s National Instrument 43-101

	Tons	Silver Grade (Ounces per ton)	Copper Grade	Cutoff Grade (Silver ounces per ton)
Measured	4,026,000	1.85	0.74%	1.0
Indicated	77,480,000	2.05	0.75%	1.0
Inferred	35,080,000	1.85	0.71%	1.0

Geology

The Montanore Project contains a strata-bound silver-copper deposit occurring in the Revett Formation, which is part of an extensive series of Precambrian-aged metasedimentary rocks belonging to the Belt Supergroup. The Revett Formation has been subdivided into three members (upper, middle and lower) based on the contained amounts of quartzite, silty quartzite and siltite. The lower Revett, which hosts the mineralized horizons, is composed primarily of quartzite with lesser interbeds of siltite and silty quartzite.

The silver-copper mineralization at Montanore is strata-bound in the upper portions of the lower Revett Formation. Copper and silver values are carried predominately in the minerals bornite, chalcocite, chalcopyrite and native silver in variable proportions and concentrations. Sulfide content of the mineralized rock rarely exceeds 3% to 4% and is commonly 1% to 2%.

The mineralized zone crops out at the surface and extends down dip at least 12,000 ft to the north-northwest. The mineralization is open ended in the down dip direction. Mineralization occurs in at least two sub-parallel horizons separated by a silver- and copper-deficient zone containing low-grade lead in the form of galena. The two horizons are identified as the B1 for the upper zone and the B for the lower and more extensive zone. Both zones dip to the northwest between 15 degrees and 30 degrees, with an average of just over 15 degrees. The width of the main (B) horizon, in plan view, is defined by a fault on one side and a fold axis on the other, varies from 804 feet to 3,540 feet. The property boundaries, however, limit the controlled portion of the deposit to a maximum of 2,000 feet. The average thickness for each of the two horizons is 35 feet, depending upon cutoff.

History

In 2002, Noranda notified us that it was abandoning its rights to the project. Under the terms of its claim lease agreement with Newhi, Inc., Noranda was required to quitclaim to us any claims owned by Noranda that overlapped the original Heidelberg claims. As the newly patented apex claims were overlapping, Noranda deeded these claims to Newhi in August 2002. In December 2002, Noranda transferred to us approximately 63,000 feet of drill core and all geologic, environmental, and engineering data generated during its 14 year management of the project. The mineral rights we acquired 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. On October 18, 2007, the Company agreed to purchase the net profits royalty from Montana Reserves Company (MRC) for \$500,000 and the dismissal with prejudice of all claims made by MRC against the Company.

The Company resubmitted its plan of operation and hard rock mine operating permit application for the Montanore project to the U.S. Forest Service and Montana Department of Environmental Quality (MDEQ) at the end of December 2004. See “—Permitting and Environmental” for an update on the status of permitting.

We are conducting an extensive optimization review and feasibility study of the Montanore Project in order to update the potential mine plan and to determine the optimal rates of production. We have spent an estimated \$17.7 million on the Montanore property since acquiring it, primarily on the re-permitting process, a pre-feasibility study, exploration and an additional \$139,000 per year in property holding costs. We estimate expenditures of at least \$14.0 million in 2009 in connection with the continued permitting, engineering, exploration and preparation for and commencement of the underground evaluation drilling program.

Engineering

McIntosh Engineering and Hatch Ltd. completed the Cost Update Study and generated a draft report for the project in May 2006. This report included engineering optimization, engineering review, cost updates, mine planning, and other aspects of the project. The report also provides additional optimization opportunities that should be evaluated as part of the on-going internal engineering work currently underway.

As part of the mine planning effort, we assembled all of the geologic information developed by Noranda and U.S. Borax for the project and incorporated the information into the Vulcan mine modeling package. This 3-dimensional geologic model is a critical first step in further evaluating mine planning activities and projection of ore zones. This information was also used to develop the underground drilling targets for the evaluation drilling program, described below.

Advanced Exploration and Delineation Drilling Program

In 2006, we acquired the property providing access to the 14,000 foot Libby adit. With additional development, the Libby adit will provide access to the Montanore deposit. We also acquired two permits related to the Libby adit that, with minor revisions, allow us to reopen, dewater and rehabilitate the adit.

In 2007, as part of the advanced exploration and delineation drilling program at Montanore, we completed the construction on and startup of a water treatment facility. In 2008 we continued to install and test the underground water pumping stations and sumps. We plan to dewater and rehabilitate the Libby adit in early 2009 and then advance the adit approximately 3,000 feet towards the middle of the deposit. An additional 10,000 feet of development drifting will be necessary to provide drill access. Once the drifting is underway, we expect to undertake delineation diamond core drilling of approximately 50 holes totaling approximately 45,000 feet. The objectives of our underground evaluation program are to:

- expand the known higher grade intercepts of the Montanore deposit;
- develop additional information about the deposit;
- further assess and define the mineralized zone; and
- provide additional geotechnical, hydrological and other data.

Stage 1—Dewatering and Adit Rehabilitation

With the exception of the first 600 feet, the length of the Libby adit contains water. During the first stage of the evaluation drilling program, we plan to dewater the adit, and treat the discharged water using ultra-filtration and possibly chemical pre-treatment so that discharged water, both during the dewatering process as well as during development of the adit and drilling program, meets Montana's water quality standards. We completed the pilot scale tests of the water treatment plant in November 2007. We have started the initial preparation for the dewatering of the adit including installation of sumps and pumping stations.

As dewatering begins, we plan to rehabilitate the adit, which we anticipate to involve, among other activities, scaling the walls, installing new roof bolts and extending electricity, ventilation and dewatering infrastructure into the adit. We estimate that Stage 1 activities will cost approximately \$7.3 million. Through December 31, 2008, \$0.7 million had been spent on Stage I activities.

Stage 2—Advancement of Adit, Drifting and Establishment of Drill Stations

Once rehabilitation is complete, expected by the fourth quarter of 2009, we plan to advance the adit approximately 3,000 feet towards the middle of the deposit. Following the advancement of the adit, we expect to commence 10,000 feet of development drifting, which will be necessary to provide drill access. Once drifting is underway we will also begin to establish drill stations. The process of drifting and the establishment of drill stations will continue throughout the remainder of the program. We expect that Stage 2 will cost approximately \$7.5 million.

Stage 3—Phase I Delineation Drilling

In Stage 3 of the advanced exploration and delineation drilling program, we expect to commence approximately 20,000 feet of delineation diamond core drilling. We expect to spend approximately \$0.5 million on Phase I delineation drilling. We also expect to spend approximately \$12.7 million during Stages 1, 2 and 3 on site operating and capital costs, optimization studies and general corporate support. The Company has spent \$2.6 million as of December 31, 2008 on site operating and capital costs, optimization studies and general corporate support.

Stage 4—Phase II Drilling and Bankable Feasibility Study

During this stage we anticipate completing an additional 25,000 feet of diamond core drilling, undertaking additional metallurgical and geotechnical testing and analysis, and if the results of our exploration are successful, preparing for and completing a bankable feasibility study at an estimated cost, with site operating and capital costs, of approximately \$10.0 million.

We are currently doing trade off studies, reviewing the geology, and performing initial engineering reviews to improve our estimates of the projected costs and schedule for the four stages of the program.

Permitting and Environmental

Permitting of the Advanced Exploration and Delineation Drilling Program

In 2006, we acquired the property providing access to the portal of the Libby adit and two permits: Hard Rock Operating Permit 150 that covers certain exploration activities and the Montana Pollution Discharge Elimination System (MPDES) water discharge permit for the Montanore Project. With minor revisions completed in 2006, these permits allow us to proceed with our planned advanced exploration and delineation drilling program, including adit rehabilitation, dewatering and extension, drifting and establishment of drill stations, and drilling activities. In mid-2007, we were advised by the U.S. Forest Service that we would be required to submit an environmental assessment (EA) covering our proposed road use during the program. The EA was submitted in August 2007. Pending approval, we were issued a temporary use permit to provide site access. Using this permit, the Company continues to construct project infrastructure to support the evaluation drilling program. The USFS advised the Company on August 21, 2008 that the EA being developed for the underground evaluation program should be terminated and the analysis incorporated into the environmental impact statement (EIS) being prepared for the overall project. While the Company believes that the EA provided adequate analyses to meet regulatory requirements, the Company accepted the recommendation. The Company does not anticipate any delays to the EIS schedule due to this change. The draft EIS was issued for public review on February 27, 2009.

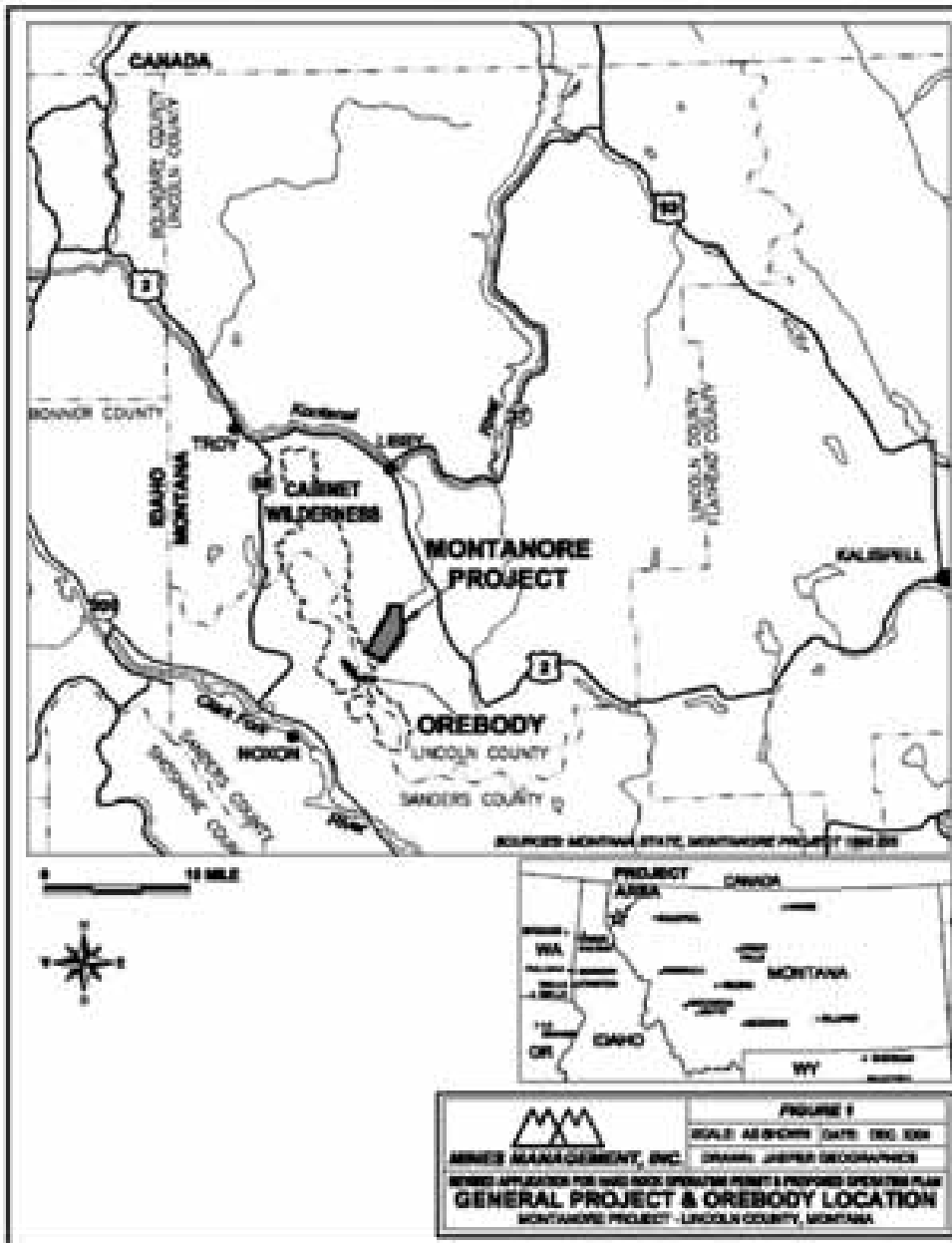
Permitting of the Montanore Project

In order to advance the Montanore Project past the exploration stage, we must obtain project approval from the U.S. Forest Service (USFS) and the State of Montana Department of Environmental Quality (DEQ) and final permits. The USFS and the DEQ are undertaking a joint review of the Montanore Project, a process that typically takes several years.

To initiate the joint review process, in 2004 we submitted a proposed plan of operations to the USFS and a hard rock mining program application to the State of Montana, which included baseline environmental data, certain technical documents and other pertinent information about the Montanore Project. We have also submitted applications and technical supporting data for an air quality permit, a wetland 404 permit that would establish the allowable level of discharge of dredged or fill material into wetlands and non-wetland waters, an MPDES water discharge permit that would establish the allowable levels of mine and rain water discharge that might occur during any development of and operations at the Montanore Project, a power transmission line permit for the power line that would connect the Project to the power grid; and revisions to Hard Rock Operating Permit 150 that would permit mining operations on federal land, along with a permit to cover mining operations on private land. We have benefited from the work completed by previous holders of the Montanore Project, who obtained final Project permits in 1993. Rather than being required to develop all of the initial data, we were able to update the environmental baseline and other environmental and technical data developed by the prior holders. This allowed us to submit applications and technical information approximately 12 months earlier than otherwise would have been the case. Since our applications were initially submitted, we have responded to agency comments and submitted supplemental technical information and applications.

In early January 2008, we received a clarification letter from the DEQ confirming that Hard Rock Operating Permit 150 issued in 1993 was transferred with the acquisition of Noranda Mineral Corporation in May 2006 to the Company. The DEQ asked that the Company withdraw its plan of operations and permit application (submitted in 2004) and instead submit proposal amendments and update the existing permit. We submitted the revised plan in March 2008.

A central element of the federal and state project review process is the completion of a thorough environmental review process, which will be documented in a joint Environmental Impact Statement (EIS). As an integral part of drafting the EIS, the USFS is required under the Endangered Species Act to complete a biological assessment and initiate a consultation with the U.S. Fish and Wildlife Service for the purpose of issuing a biological opinion addressing the impact of the project on threatened and endangered species, including grizzly bear, lynx and bull trout. The USFS and DEQ completed the draft EIS, which, together with the draft permits, were provided to the public for review and comment on February 27, 2009. The agencies may consider public comments in preparing the final EIS and final permits. If the public review process is successfully completed, the agencies will proceed to determine the form of the final EIS and permits and will issue a joint Record of Decision setting forth their decisions on our proposed plan of operations and hard rock mining program. Following issuance of the Record of Decision, if favorable, and the favorable resolution of any appeals or legal challenges to the Record of Decision, we would receive the required permits and finalize the Montanore Project Plan of Operation based on the results of the completed agency review.



Advance and Iroquois Properties

The Company owns the Advance and Iroquois zinc-lead exploration properties located in northeastern Washington State, approximately six miles south of the Canadian border. The properties are situated five miles apart along a belt of Cambrian carbonate sediments that have acted as host rocks for several former mines. Both properties are easily accessible on secondary graveled roads by two wheel drive vehicles. A large zinc smelter and refinery is located at Trail, British Columbia, Canada, approximately 17 miles away, over excellent roads.

The Company was originally formed in 1947 to explore the Advance and Iroquois properties. Since that time, it has leased its holdings to major companies including Rare Metals, Inc. (El Paso Natural Gas) (1959-65), The Bunker Hill Company (1962-65), Cominco American, Inc. (1966-67 and 1974-75),

Brinco, Ltd. (RTZ Group) (1977-78), and Equinox Resources Ltd. (1989-91). Total expenditures on the properties to date are estimated to be at least \$1,500,000.

The Advance and Iroquois properties are located along the Deep Lake Trend, a northeast-striking belt of Cambrian carbonate rocks collectively designated as the Metaline Limestone. Rocks of the Deep Lake Trend have been strongly folded and faulted by numerous high-angle as well as thrust faults. As a result the Metaline Limestone has a complex outcrop pattern, with steeply overturned bedding.

Zones of brecciation are found throughout the Metaline Limestone and are often, but not always, the location of zinc and lead sulfide mineralization. These features are predominantly stratabound and have gradational, often irregular borders. Individual breccia bodies are crudely lensoid in cross section and have third dimensions that attain considerable length. The zones often occur in an enechelon, and sometimes interconnected, pattern. A variety of evidence suggests that the breccia bodies are solution collapse features controlled by favorable stratigraphy or lithologic facies.

Mineralization consists of irregular bands, lenses, and fine disseminations of sphalerite and galena accompanied by varying amounts of pyrite. The mineralization is considered to have been localized by permeable zones within and peripheral to breccia bodies created by solution collapse. The sulfide minerals are found in white dolomite that makes up the breccia matrix and fills other voids, and also as selective replacements of the host carbonate rocks. Individual deposits have irregular gradational borders and are crudely lensoidal to oval in outline. Their elongated third dimension parallels the regional strike of the host rocks, and often plunge at low angles. Cross sectional widths up to 80 feet and heights of as much as 150 feet have been noted in the more prominent zones. Lengths of mineralization vary up to 650 feet. The deposits have a tendency to occur together in an enechelon pattern over a stratigraphic interval of as much as 300 feet. Such groupings of deposits may be more or less interconnected and have composite lengths of as much as 5,000 feet. Metal values generally decrease outward thus necessitating a border to be established by economic consideration. Although individual sample values within a deposit may be as high as 20% zinc, average values for a deposit will usually range up to 7% zinc and 1% lead depending upon the “assay border” selected.

The Advance property consists of 720 acres of patented mining claims located approximately five miles east of the town of Northport. The property is reached from Northport, the nearest town, by taking the paved Deep Lake road south for four miles to the graveled Black Canyon road and thence north for three miles. The Metaline Formation is the principal rock unit to crop out on the Advance property. Previous exploration consisting of soil sampling, drilling, trenching, and tunneling has shown that several zones of low-grade, disseminated zinc mineralization occur on the property. The Advance property is without known reserves, is considered to be of an exploratory nature, and was written down to a zero carrying balance at December 31, 2007 following an internal review which concluded that the property is not commercially viable at present.

The Iroquois property consists of 62 acres of patented mining claims and surface rights, and 15 unpatented mining claims containing about 300 acres. The property is reached from Northport, the nearest town, by taking the paved Deep Lake road south and east for 19 miles to the graveled Iroquois Mine Road, and thence northeast for three miles. The unpatented mining claims are held subject to a \$125 per claim annual payment to the U.S. Federal government. More than 25,000 feet of drilling and approximately 2,600 feet of tunneling have shown low-grade mineralization to occur in multiple zones, extending for the entire 5,000 foot length of the property. Most of the exploration has been concentrated in one area where a mineralized zone of disseminated zinc with associated lead values has been outlined over approximately 900 feet in length and within 300 feet of the surface. The Iroquois property is without known reserves, is considered to be of an exploratory nature and has been written down to a zero carrying balance at December 31, 2007 following an internal review which determined that at this time there was no commercial value in the property.

Oil Interests

We receive income from a 10.16% working interest in four oil wells on a lease in Sumner County, Kansas. We do not engage in oil and gas exploration or production activities.

ITEM 3. LEGAL PROCEEDINGS

None.

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

No matter was submitted during the fourth quarter of 2008 to a vote of security holders.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock commenced trading on AMEX (now the NYSE Alternext US) under the symbol, "MGN," on March 24, 2004. On January 10, 2006, the Company's common stock began trading on the Toronto Stock Exchange under the symbol "MGT."

The following table shows the high and low closing sales prices for our common stock for each quarter since January 1, 2007. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions. On March 11, 2009, the closing price of the Company's common stock was \$1.67 on the NYSE Alternext US and Cdn\$2.13 on TSX.

Fiscal Year	AMEX (\$)		TSX (Cdn\$)	
	High	Low	High	Low
2008:				
First Quarter	\$4.39	\$3.21	\$4.35	\$3.32
Second Quarter	\$3.87	\$2.64	\$3.93	\$2.75
Third Quarter	\$3.25	\$1.29	\$3.29	\$1.14
Fourth Quarter	\$1.79	\$0.57	\$1.90	\$0.70
2007:				
First Quarter	\$6.44	\$4.53	\$7.50	\$5.11
Second Quarter	\$5.33	\$3.33	\$6.10	\$3.52
Third Quarter	\$4.12	\$2.82	\$4.25	\$2.94
Fourth Quarter	\$4.80	\$2.99	\$4.49	\$3.01

As of March 11, 2008 there were 718 shareholders of record of our common stock and approximately 4,183 additional shareholders whose shares are held through brokerage firms or other institutions.

We have never paid dividends and any future decision as to the payment of dividends will be at the discretion of our board of directors and will depend upon our earnings, receipt of dividends from our subsidiaries, financial position, capital requirements, plans for expansion and such other factors as our board of directors deems relevant.

Performance Graph

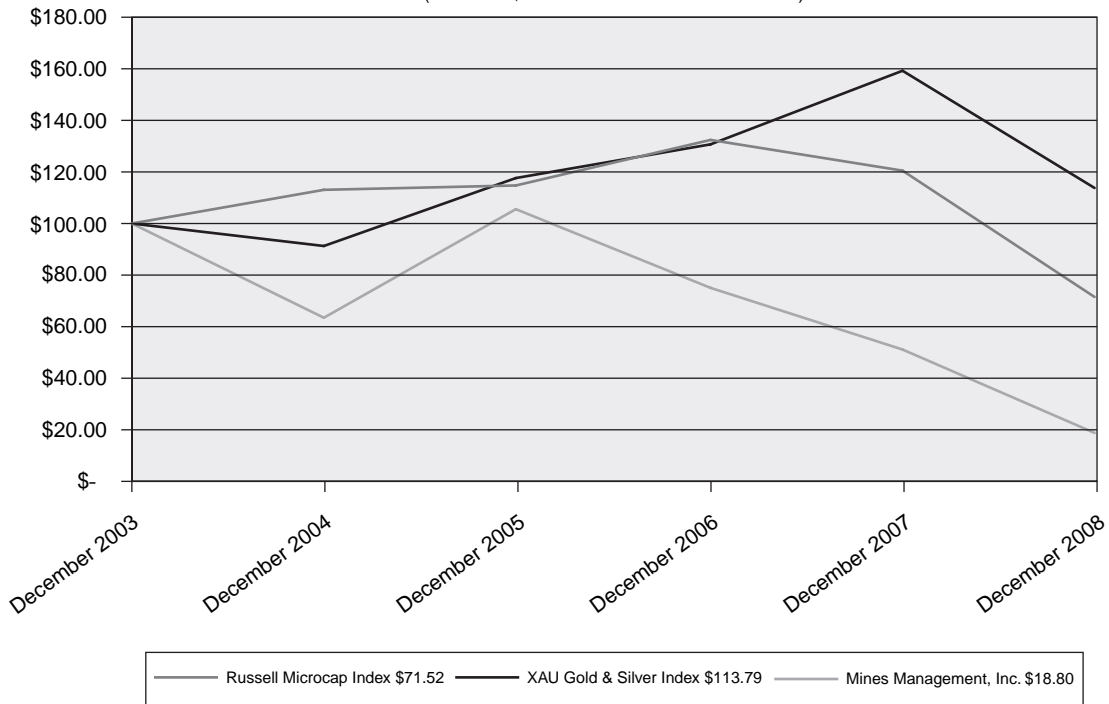
The following graph compares the yearly cumulative total shareholders return on common stock of the Company since December 31, 2003, with the cumulative total return over the same period for the Russell Microcap 1000 Index and the XAU Gold and Silver Index.

Pursuant to the rules and regulations set forth by the SEC, the comparison assumes \$100 was invested on December 31, 2003 in the Company's common stock and in each of the indices.

Historic stock price is not indicative of future stock price performance. This performance graph shall not be deemed to be “soliciting material” or to be “filed” under either the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

Total Return to Stockholders

(Assumes \$100.00 investment on 12/31/2003)



	<u>Russell Microcap 1000 Index</u>	<u>XAU Gold & Silver Index</u>	<u>Mines Management, Inc.</u>
12/31/08	\$ 71.52	\$113.79	\$ 18.80
12/31/07	\$120.50	\$159.24	\$ 51.13
12/31/06	\$132.41	\$130.70	\$ 75.04
12/31/05	\$114.75	\$117.63	\$105.56
12/31/04	\$113.06	\$ 91.28	\$ 63.46

Securities Authorized for Issuance Under Equity Compensation Plans

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights (b)</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a)) (c)</u>
Equity compensation plans approved by shareholders	2,271,000	\$1.37	2,574,000
Equity compensation plans not approved by shareholders	—	—	—
Total	2,271,000	\$1.37	2,574,000

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data of Mines Management, Inc. for the years ended December 31, 2008, December 31, 2007, December 31, 2006, December 31, 2005 and December 31, 2004 are derived from audited financial statements. This table should be read in conjunction with the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Years Ended December 31,				
	2008	2007	2006	2005	2004
Statement of Operations:					
Revenues	\$ 18,108	\$ 10,740	\$ 13,130	\$ 11,282	\$ 8,604
Operating Expenses	\$(11,143,450)	\$(9,457,750)	\$(6,293,164)	\$(5,448,169)	\$(2,652,056)
Loss from Operations	\$(11,125,342)	\$(9,447,010)	\$(6,280,034)	\$(5,436,887)	\$(2,643,452)
Other Income	\$ 818,705	\$ 1,113,944	\$ 296,489	\$ 226,877	\$ 127,383
Net Loss	\$(10,306,637)	\$(8,333,066)	\$(5,983,545)	\$(5,210,010)	\$(2,516,069)
Net Loss per Share of Common Stock	\$ (0.45)	\$ (0.46)	\$ (0.47)	\$ (0.45)	\$ (0.26)
Weighted Average Shares of Common Stock Outstanding .	22,667,845	18,015,734	12,781,827	11,461,043	9,745,097
Cash Flow Data:					
Cash Flows from Financing Activities	\$ 2,386,675	\$41,497,286	\$ 1,513,750	\$ 6,686,520	\$ 6,448,010
Cash Flows from Operating Activities	\$ (8,875,274)	\$(5,073,977)	\$(4,858,322)	\$(4,178,761)	\$(1,217,131)
Cash Flows from Investing Activities	\$ (7,806,614)	\$(7,423,589)	\$ (560,070)	\$ (284,460)	\$(3,088,521)
	At December 31,				
	2008	2007	2006	2005	2004
Balance Sheet Data:					
Total Assets	\$ 33,240,231	\$42,157,005	\$ 6,330,468	\$ 9,673,157	\$ 7,135,017
Total Liabilities	\$ 2,811,337	\$ 1,971,739	\$ 307,614	\$ 171,101	\$ 114,984
Shareholders Equity	\$ 30,428,894	\$40,185,266	\$ 6,022,854	\$ 9,502,056	\$ 7,020,033

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis is provided as a supplement to, and should be read in conjunction with, our financial statements and the accompanying notes ("Notes").

Overview

2008 Highlights

- Received notice from Montana Department of Environmental Quality (DEQ) confirming that the Hard Rock operating permit 150, originally issued in 1993, was transferred to the Company with the acquisition of the Noranda Mineral Corporation in 2006.
- Received approval from the Montana State Department of Commerce of the proposed Hard Rock Mining Impact Plan for the Montanore Project.
- Engaged Small Mine Development as contractor to manage activities related to advancement of the Libby adit and drill station development.
- Excavated two sumps and placed them into service as part of the adit dewatering system in August 2008.
- Awarded the engineering contract for the water treatment plant nitrate circuit, which will be installed beginning in May 2009.
- Released draft Environmental Impact Statement for public comment in February 2009.

Our December 31, 2008 cash, unrestricted certificates of deposit, and available line of credit balances remained strong at over \$20 million. Our net cash expenditures for operating activities for 2008 totaled \$8.9 million. Cash outlays were less than projected due to delays in the USFS approval of our EA. We purchased fixed assets totaling \$0.9 million, including two underground refuge chambers and three surface utility trucks. Construction in process spending for 2008 was \$0.2 million for construction of site infrastructure. In 2009, we plan to continue to focus on our planned advanced exploration and delineation drilling program at the Montanore Project. We also intend to continue to pursue the re-permitting applications with the goal of having sufficient data to commence preparation of a phased financing plan for the Montanore Project. We plan to engage a contractor to begin preparation of a bankable feasibility study for the Montanore Project in the fourth quarter of 2009. If additional capital is required and market conditions are not conducive to effective capital raising, management may elect to curtail development activities to conserve cash until conditions improve. Similarly, development activities could be deferred if the permitting process is delayed or if commodity prices make the project difficult to finance or increase the expense of such financing.

Financial and Operating Results

Mines Management, Inc. reported a net loss for the year ended December 31, 2008 of \$10.3 million or \$0.45 per share compared to a loss of \$8.3 million or \$0.46 per share for the year ending December 31, 2007. The increase of \$2.0 million in net loss between 2008 and 2007, and the

2007 net loss increase of \$2.3 million versus 2006, were primarily due to increased depreciation on capital investments and administrative expenses in support of the Montanore Project:

<u>Expenditures</u>	<u>Expense Summary</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(millions)		
Montanore Project Expense	\$ 4.8	\$ 3.6	\$2.8
Administrative Expense	\$ 3.6	\$ 4.6	\$2.5
Depreciation	\$ 1.0	\$ 0.3	\$0.1
Non Cash Stock Option Expense	\$ 1.7	\$ 1.0	\$0.9
Interest Income	\$(0.8)	\$(1.1)	\$(.3)

Montanore Project Expense includes exploration, fees, filing and licenses, and technical services, including environmental, engineering and permitting expense. The increases in 2008 were mainly due to permitting efforts for the Montanore Project and the preparations to begin the dewatering and rehabilitation of the Libby adit. The increase included \$150,000 for additional studies and incorporation of USFS and DEQ comments in the draft EIS which was issued for public comment in late February 2009, and payments to Small Mine Development in the third and fourth quarters for underground sump construction and pump installations. Administrative expense, which includes general overhead and office expense, legal, accounting, compensation, rent, taxes, and investor relations expense, increased in 2008 due to increased fees paid to our directors and full year salaries for four additional supervisory mine site employees. These costs were offset by reduced outside consultant fees for land claims and the absence in 2008 of payment of \$500,000 for the MRC royalty, which was paid in 2007. Depreciation increased in 2008 because there was a full year of depreciation on equipment purchased in late 2007. Stock option expense increased \$300,000 because of additional option grants in 2007 which were recorded in 2008 upon approval by shareholders of the 2007 Stock Option Plan at the May 2008 annual meeting.

Montanore Project Expenses increased in 2007 over 2006 primarily as a result of increased payments to consultants for permitting activities, collecting additional environmental baseline data, mineralized material and resource studies, and exploration activities related to reopening the Libby adit. Administrative expense increased \$2.9 million or 107% in 2007 over 2006. This increase is attributed to the purchase in November 2007 of the MRC 5% net proceed Royalty for \$500,000, expensing of \$500,000 in property charges related to a write down, addition of seven staff members, salary increases among existing staff and increased legal and accounting fees associated with our cross-border equity financings in 2007 that resulted in gross proceeds of \$44.2 million. Stock option expense, which includes stock options granted to officers, employees and consultants, increased \$0.1 million from 2006 to 2007, while interest income increased significantly by \$0.8 million due to the increased cash on hand after completing the public and private stock offerings.

Liquidity and Capital Resources

At December 31, 2008, our aggregate cash, short term investments, and long term investments totaled \$20.3 million compared to \$32.6 million at December 31, 2007. Cash flows from financing activities were \$2.4 million in 2008, including \$1.8 million from a line of credit and \$0.8 million from the exercise of options and warrants. The net cash used for operating activities during 2008 was \$8.9 million, which consisted primarily of permitting, environmental, exploration, and engineering expenses for the Montanore project and general administrative expenses. Cash used in investing activities was \$7.8 million. We purchased \$0.9 million in fixed assets in 2008, which principally consisted of equipment and two refuse chambers for rehabilitating and extending the adit. We spent \$0.2 million in 2008 for infrastructure classified as construction in progress at the Montanore Project site. We purchased a \$5.0 certificate of deposit and \$1.8 on available-for-sale securities. The net decrease in cash and cash equivalents for the year ending December 31, 2008 was \$14.3 million.

We anticipate expenditures in 2009 of approximately \$14.0 million, which we expect will consist of (i) \$1.5 million in each quarter for ongoing operating and general administrative expenses, (ii) \$1.0 million in the first quarter for ongoing preparation expenses for the exploration and delineation drilling program at the Montanore Project and (iii) \$2.3 million in each remaining quarter to sustain efforts in furtherance of the program. We will require \$10.0 million of external financing in 2009 and 2010 to fund the completion of the advanced exploration and delineation drilling program and completion of a bankable feasibility study.

Off Balance Sheet Arrangements

We have no off balance sheet arrangements.

Table of Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2008:

<u>Contractual Obligations</u>	<u>Total</u>	<u>Less Than 1 Year</u>	<u>2 - 3 Years</u>	<u>4 - 5 Years</u>	<u>Thereafter</u>
Operating leases	\$ 121,250	\$ 54,000	\$66,000	\$1,250	—
Line of credit	1,815,231	1,815,231	—	—	—

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

All of our cash balances are held in U.S. dollars and our long term investment certificates of deposit are denominated in U.S. dollars and held in local and national banking institutions. We manage the timing of cash required for the re-permitting, review of the Montanore deposit, and engineering of the Montanore Project and for general corporate purposes by utilizing our money market account. We invest funds not immediately required in investments, currently in certificates of deposit, with varying maturities and fixed early retirement costs equal to three months interest.

The market prices of base and precious metals such as copper and silver fluctuate widely and are affected by numerous factors beyond the control of any mining company. These factors include expectations with regard to the rate of inflation, the exchange rates of the dollar and other currencies, interest rates, global or regional political, economic or banking crises, and a number of other factors. If the market price of silver or copper should drop dramatically, the value of the Company’s Montanore Project could drop and the Company might not be able to recover its investment in that project. The decision to develop or construct a mine would be made several years before the first revenues from production would be received. Price fluctuations between the time that such decision is made and the commencement of production could affect the economics of the mine.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements for the years ended December 31, 2008, 2007 and 2006 are included in this Report on Form 10-K as set forth below.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders of
Mines Management, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheet of Mines Management, Inc. and Subsidiaries (the Company) as of December 31, 2008, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended and for the period from inception of the exploration stage (August 12, 2002) through December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 that our audit provides 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 Subsidiaries as of December 31, 2008, and the results of their operations and their cash flows for the year then ended and for the period from the inception of the exploration stage (August 12, 2002) through December 31, 2008 in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2009 expressed an unqualified opinion thereon.

/s/ TANNER LC
Salt Lake City, Utah
March 16, 2009

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Board of Directors and Stockholders of
Mines Management, Inc. and Subsidiaries

We have audited Mines Management, Inc. and Subsidiaries' (the Company) internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Mines Management, Inc. and Subsidiaries as of December 31, 2008, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended and the period from inception of the exploration stage (August 12, 2002) through December 31, 2008, and our report dated March 16, 2009 expressed an unqualified opinion thereon.

/s/ TANNER LC
Salt Lake City, Utah
March 16, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Mines Management, Inc. and Subsidiaries
Spokane, Washington

We have audited the consolidated balance sheets of Mines Management, Inc. (an Idaho Corporation) and Subsidiaries as of December 31, 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended December 31, 2007 and 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 that our audits provided 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 Subsidiaries as of December 31, 2007, and the results of their operations and their cash flows for the years ended December 31, 2007 and 2006, in conformity with U.S. generally accepted accounting principles.

/s/ LEMASTER & DANIELS PLLC

Spokane, Washington
March 12, 2008

Mines Management, Inc. and Subsidiaries (An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2008	2007
<i>Assets</i>		
<i>CURRENT ASSETS:</i>		
Cash and cash equivalents	\$ 15,448,159	\$ 29,743,372
Interest receivable	123,004	80,662
Prepaid expenses and deposits	147,887	130,583
Certificates of deposit	1,420,242	—
Restricted certificate of deposit	5,000,000	—
Total current assets	22,139,292	29,954,617
<i>PROPERTY, PLANT AND EQUIPMENT:</i>		
Construction in progress	1,944,005	3,092,374
Mine buildings and leasehold improvements	836,454	783,610
Plant and equipment	8,075,220	5,662,485
Office equipment	331,765	297,909
Total	11,187,444	9,836,378
Less accumulated depreciation	1,473,253	428,693
	9,714,191	9,407,685
<i>OTHER ASSETS:</i>		
Certificates of deposit	—	1,477,221
Available-for-sale securities	201,782	132,516
Reclamation deposits	1,184,966	1,184,966
	1,386,748	2,794,703
	\$ 33,240,231	\$ 42,157,005
<i>Liabilities and Stockholders' Equity</i>		
<i>CURRENT LIABILITIES:</i>		
Accounts payable	\$ 585,965	\$ 1,948,566
Payroll and payroll taxes payable	33,908	23,173
Line of credit	1,815,231	—
Total current liabilities	2,435,104	1,971,739
<i>LONG-TERM LIABILITIES:</i>		
Asset retirement obligation	376,233	—
Total liabilities	2,811,337	1,971,739
<i>COMMITMENTS AND CONTINGENCIES STOCKHOLDERS' EQUITY:</i>		
Preferred stock—no par value, 10,000,000 shares authorized; -0- shares issued and outstanding	—	—
Common stock—\$0.001 par value, 100,000,000 shares authorized; 22,756,848 and 22,236,067 shares issued and outstanding, respectively	22,757	22,236
Additional paid-in capital	66,995,956	64,700,129
Accumulated deficit	(1,117,306)	(1,117,306)
Deficit accumulated during the exploration stage	(33,847,781)	(23,541,144)
Accumulated other comprehensive income (loss)	(1,624,732)	121,351
Total stockholders' equity	30,428,894	40,185,266
	\$ 33,240,231	\$ 42,157,005

See accompanying notes to consolidated financial statements.

Mines Management, Inc. and Subsidiaries (An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,			From Inception of Exploration Stage August 12, 2002 Through December 31,
	2008	2007	2006	2008
<i>REVENUE:</i>				
Royalties	\$ 18,108	\$ 10,740	\$ 13,130	\$ 70,347
<i>OPERATING EXPENSES:</i>				
General and administrative	4,349,325	4,245,636	3,002,503	17,899,708
Technical Services	4,621,322	3,390,712	2,083,748	12,292,112
Depreciation	1,085,925	283,564	54,810	1,461,755
Legal, accounting, and consulting	830,230	690,871	437,940	2,372,845
Fees, filing, and licenses	256,648	330,609	565,549	1,821,553
Exploration	—	11,866	148,614	165,176
Impairment of mineral properties	—	504,492	—	504,492
Total operating expenses	11,143,450	9,457,750	6,293,164	36,517,641
<i>LOSS FROM OPERATIONS</i>	(11,125,342)	(9,447,010)	(6,280,034)	(36,447,294)
<i>OTHER INCOME:</i>				
Interest, net	818,705	1,113,944	296,489	2,599,513
<i>NET LOSS</i>	\$(10,306,637)	\$(8,333,066)	\$(5,983,545)	\$(33,847,781)
<i>NET LOSS PER SHARE</i> (basic and diluted)	\$ (0.45)	\$ (0.46)	\$ (0.47)	
<i>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</i> (basic and diluted)	22,667,845	18,015,734	12,781,827	

See accompanying notes to consolidated financial statements.

Mines Management, Inc. and Subsidiaries (An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FROM INCEPTION (AUGUST 12, 2002) THROUGH DECEMBER 31, 2008

	Common Stock		Issuable Common Stock		Additional Paid-in Capital	Accumulated Deficit	Deficit Accumulated During the Exploration Stage	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount					
<i>BALANCES, AUGUST 12, 2002 (Inception of exploration stage)</i>	5,316,956	\$ 5,317	90,000	\$ 22,500	\$ 1,495,998	\$(1,117,306)	\$ —	\$ 846	\$ 407,355
Issuable common stock issued	90,000	90	(90,000)	(22,500)	22,410	—	—	—	—
Common stock issued for cash	5,129,312	5,130	—	—	14,153,011	—	—	—	14,158,141
Exercise of stock options and warrants	1,526,455	1,526	—	—	1,011,992	—	—	—	1,013,518
Stock-based compensation	380,000	380	—	—	3,134,060	—	—	—	3,134,440
Issuance of stock for Heidelberg shares	26,787	27	—	—	(27)	—	—	—	—
Comprehensive loss:									
Adjustment to net unrealized gain on marketable securities	—	—	—	—	—	—	—	13,135	13,135
Net loss	—	—	—	—	—	—	(9,224,533)	—	(9,224,533)
Comprehensive loss									(9,211,398)
<i>BALANCES, DECEMBER 31, 2005</i>	12,469,510	12,470	—	—	19,817,444	(1,117,306)	(9,224,533)	13,981	9,502,056
Exercise of stock options and warrants	379,124	379	—	—	1,513,371	—	—	—	1,513,750
Stock-based compensation	—	—	—	—	937,895	—	—	—	937,895
Issuance of stock for Heidelberg shares	833	—	—	—	—	—	—	—	—
Comprehensive loss:									
Adjustment to net unrealized gain on marketable securities	—	—	—	—	—	—	—	52,698	52,698
Net loss	—	—	—	—	—	—	(5,983,545)	—	(5,983,545)
Comprehensive loss									(5,930,847)
<i>BALANCES, DECEMBER 31, 2006</i>	12,849,467	12,849	—	—	22,268,710	(1,117,306)	(15,208,078)	66,679	6,022,854
Common stock issued for cash	9,386,600	9,387	—	—	41,487,899	—	—	—	41,497,286
Stock-based compensation	—	—	—	—	943,520	—	—	—	943,520
Comprehensive loss:									
Adjustment to net unrealized gain on marketable securities	—	—	—	—	—	—	—	54,672	54,672
Net loss	—	—	—	—	—	—	(8,333,066)	—	(8,333,066)
Comprehensive loss									(8,278,394)
<i>BALANCES, DECEMBER 31, 2007</i>	22,236,067	22,236	—	—	64,700,129	(1,117,306)	(23,541,144)	121,351	40,185,266
Exercise of stock options and warrants	520,781	521	—	—	811,479	—	—	—	812,000
Stock-based compensation	—	—	—	—	1,724,904	—	—	—	1,724,904
Financing expenses	—	—	—	—	(240,556)	—	—	—	(240,556)
Comprehensive loss:									
Adjustment to net unrealized gain on marketable securities	—	—	—	—	—	—	—	(1,746,083)	(1,746,083)
Net loss	—	—	—	—	—	—	(10,306,637)	—	(10,306,637)
Comprehensive loss									(12,052,720)
<i>BALANCES, DECEMBER 31, 2008</i>	<u>22,756,848</u>	<u>\$22,757</u>	<u>—</u>	<u>\$ —</u>	<u>\$66,995,956</u>	<u>\$(1,117,306)</u>	<u>\$(33,847,781)</u>	<u>\$(1,624,732)</u>	<u>\$ 30,428,894</u>

See accompanying notes to consolidated financial statements.

Mines Management, Inc. and Subsidiaries (An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,			From Inception of Exploration Stage August 12, 2002 Through December 31, 2008
	2008	2007	2006	
<i>Increase (Decrease) in Cash and Cash Equivalents</i>				
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	\$(10,306,637)	\$(8,333,066)	\$(5,983,545)	\$(33,847,781)
Adjustments to reconcile net loss to net cash used in operating activities:				
Stock-based compensation	1,724,904	943,520	937,895	6,740,759
Stock received for services	—	—	—	(11,165)
Depreciation	1,085,925	283,564	54,810	1,461,755
Accretion of asset retirement obligation	32,046	—	—	32,046
Impairment of mineral properties	—	504,492	—	504,492
Changes in assets and liabilities:				
Interest receivable	(42,342)	(16,236)	36,954	(123,004)
Prepaid expenses and deposits	(17,304)	(120,376)	(40,949)	(208,298)
Accounts payable	(1,362,601)	1,644,501	171,012	585,801
Severance payable	—	—	(20,000)	—
Payroll and payroll taxes payable	10,735	19,624	(14,499)	30,728
Net cash used in operating activities	<u>(8,875,274)</u>	<u>(5,073,977)</u>	<u>(4,858,322)</u>	<u>(24,834,667)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property and equipment	(895,976)	(6,102,461)	(348,509)	(7,587,548)
Proceeds from disposition of property and equipment	33,154	2,269	—	35,423
Construction in progress	(185,423)	(3,092,374)	—	(3,277,797)
(Purchase) maturity of certificates of deposit	(4,943,021)	1,768,977	(211,561)	(7,544,297)
Purchase of available-for-sale securities	(1,815,348)	—	—	(1,815,348)
Increase in mineral properties	—	—	—	(144,312)
Net cash used in investing activities	<u>(7,806,614)</u>	<u>(7,423,589)</u>	<u>(560,070)</u>	<u>(20,333,879)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from line of credit	1,815,231	—	—	1,815,231
Proceeds from sale of common stock	571,444	41,497,286	1,513,750	58,754,139
Net cash provided by financing activities	<u>2,386,675</u>	<u>41,497,286</u>	<u>1,513,750</u>	<u>60,569,370</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,295,213)	28,999,720	(3,904,642)	15,400,824
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	29,743,372	743,652	4,648,294	47,335
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 15,448,159</u>	<u>\$29,743,372</u>	<u>\$ 743,652</u>	<u>\$ 15,448,159</u>
SUPPLEMENTAL INFORMATION:				
Interest paid	<u>\$ 20,526</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 20,526</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:				
Initial measurement of asset retirement obligation	<u>\$ 344,187</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 344,187</u>

See accompanying 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 properties in North America.

Summary of Significant Accounting Policies:

a. Principles of consolidation

The accompanying consolidated financial statements include the accounts of Mines Management, Inc., and its wholly-owned subsidiaries, Newhi, Inc., Montanore Mineral Corporation and Montmin Corporation. Intercompany balances and transactions have been eliminated.

b. Exploration Stage Enterprise

Since the Company is in the exploration stage of operation, the Company's financial statements are prepared in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 7 *Accounting for Development Stage Enterprises*, as it devotes substantially all of its efforts to acquiring and exploring mining interests that management believes should eventually provide sufficient net profits to sustain the Company's existence. Until such interests are engaged in commercial production, the Company will continue to prepare its consolidated financial statements and related disclosures in accordance with this standard.

c. Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in banks, investments in certificates of deposit with original maturities of 90 days or less, and money market funds.

d. Available for sale securities

Available for sale securities are recorded at fair value, with unrealized gains or losses recorded as a component of equity, unless a decline in value of the security is considered other than temporary. Realized gains and losses and other than temporary impairments are recorded in the statement of operations.

e. Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Buildings and leasehold improvements are depreciated on the straight-line basis over an estimated useful life of 39 years. Plant and equipment and office equipment are generally depreciated on a straight-line basis over estimated useful lives ranging from 5 to 10 years. When assets are retired or sold, the costs and related allowances for depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the statement of operations.

f. Mining properties, exploration and development costs

All exploration expenditures are expensed as incurred. Significant property acquisition payments for active exploration properties are capitalized, including payments to acquire mineral rights. Once a feasibility study has been completed, approved by management, and a decision is made to put the ore body into production, expenditures to develop new mines, to define further mineralization in existing ore bodies, and to expand the capacity of operating mines, are capitalized and amortized on the units of production basis over proven and probable reserves.

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

The Company charges to operations the allocable portion of capitalized costs attributable to properties sold. Capitalized costs are allocated to properties sold based on the proportion of claims sold to the claims remaining within the project area.

g. Asset impairment

The Company evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable. If the sum of estimated future net cash flows on an undiscounted basis is less than the carrying amount of the related asset grouping, asset impairment is considered to exist. The related impairment loss is measured by comparing estimated future net cash flows on a discounted basis to the carrying amount of the asset. Changes in significant assumptions underlying future cash flow estimates may have a material effect on the Company's financial position and results of operations. During 2007, the Company identified and recognized an impairment loss as described more fully in note 2.

h. Asset retirement obligations

The Company accounts for asset retirement obligations in accordance with SFAS No. 143, *Accounting for Asset Retirement Obligations*, which establishes a uniform methodology for accounting for estimated reclamation and abandonment costs. According to SFAS No. 143, the fair value of a liability for an asset retirement obligation (ARO) will be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The ARO is capitalized as part of the carrying value of the assets to which it is associated, and depreciated over the useful life of the asset. The Company has an ARO associated with its underground evaluation program at the Montanore Project, described more fully in note 8.

In addition, the Company follows the guidance in Financial Accounting Standards Board (FASB) Interpretation 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47), which clarifies that the term *conditional asset retirement obligation* as used in SFAS No. 143 refers to a legal obligation to perform an asset retirement activity where the timing or method of settlement is conditional on a future event. Where the obligation to perform the asset retirement activity is unconditional, even though uncertainty exists about the timing or method of settlement, the entity is required to recognize a liability for the fair value of the conditional retirement obligation if reasonably estimable. FIN No. 47 also clarifies when an entity would have sufficient information to reasonably estimate fair value.

i. Deferred Income Taxes

Deferred income tax is provided for differences between the basis 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.

The FASB has issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. If income tax related interest and penalties were to be assessed, the Company would charge interest to interest expense, and

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

penalties to general and administrative expense. Adoption of the provisions of FIN 48 had no effect on the Company's financial statements.

j. Stock compensation

The Company measures and records the costs of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award, recognized over the period during which an employee is required to provide services in exchange for such award. Compensation cost is recognized for awards granted and for awards modified, repurchased or cancelled. At December 31, 2008, the Company had three stock option plans which are described more fully in note 11.

k. Net loss per share

Basic loss per share is computed on the basis of the weighted average number of shares outstanding during the periods. Diluted loss per share is calculated on the basis of the weighted average number of shares outstanding during the period plus the effect of potential dilutive shares during the period. Potential dilutive shares include outstanding stock options and warrants. As of December 31, 2008, 2007, and 2006, potential dilutive shares were 7,061,784, 7,149,784 and 2,976,333, respectively. For periods in which a net loss is reported, potential dilutive shares are excluded because they are antidilutive. Therefore, basic loss per share is the same as diluted loss per share for the years ended December 31, 2008, 2007, and 2006.

l. Reclassifications

Certain amounts in the prior-period financial statements have been reclassified for comparative purposes to conform to current period presentation with no effect on total assets or net loss as previously reported.

m. Assumptions and use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 consolidated financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions, which could have a material effect on the reported amounts of the Company's consolidated financial position and results of operations.

n. New accounting standards

During March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities—an Amendment of FASB Statement No. 133". SFAS No. 161 enhances the disclosure requirements under SFAS No. 133 pertaining to how and why an entity uses derivative instruments, how derivative instruments and related hedge items are accounted for under SFAS No. 133, and how derivative instruments and related hedge items affect an entity's financial position, financial performance, and cash flows. SFAS No. 161 is effective for fiscal years, and interim periods within those fiscal years, beginning after November 15, 2008. The Company does

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

not expect the adoption of this statement to have a material impact on its consolidated financial position or results of operations.

In May 2008, the FASB issued SFAS No. 162, “*The Hierarchy of Generally Accepted Accounting Principles*,” which identifies the sources of accounting principles and provides entities with a framework for selecting the principles used in preparation of financial statements that are presented in conformity with U.S. GAAP. The Company does not expect the adoption of this statement to have a material impact on its consolidated financial position or results of operations.

Effective January 1, 2008, the Company adopted the provisions of SFAS No. 157, *Fair Value Measurements*, for financial assets and liabilities measured at fair value on a recurring basis. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. SFAS No. 157 also emphasizes that fair value is a market based measurement, not an entity specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets.

During February 2008, the FASB issued Staff Position No 157-2, “Effective Date of FASB Statement No. 157” (“FSP FAS 157-2”). FSP FAS 157-2 delayed the effective date of FAS No. 157 by one year until fiscal years beginning after November 15, 2008 for non-financial assets and non-financial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The Company does not believe the adoption of this statement will have a material impact on the Company’s consolidated financial position or results of operations.

During September 2008, FASB issued Staff Position No 157-3 “Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active” (“FSP FAS 157-3”). FSP FAS 157-3 clarifies the application of FASB Statement No. 157 in a market that is not active. FSP FAS 157-3 is effective immediately for the Company. The guidance provided by FSP FAS 157-3 did not affect the Company’s consolidated financial position or results of operations.

In December 2007, FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (No. 141(R)). SFAS No. 141(R), among other things, establishes principles and requirements for how the acquirer in a business combination (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquired business, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141 generally applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

In December 2007, FASB issued SFAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements, an Amendment of ARB No. 51*. SFAS No. 160 establishes accounting and reporting standards for noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary. Minority interest will be recharacterized as noncontrolling interests and classified as a component of equity. It also establishes a single method of accounting for changes in a parent’s ownership interest in a subsidiary and requires expanded disclosures. This statement is effective for fiscal years beginning on or after December 15, 2008, with early adoption prohibited. The Company does not expect the adoption of this statement to have a material impact on its consolidated financial position or results of operations.

NOTE 2—MINING PROPERTIES:

Montanore:

The Montanore property is located in northwestern Montana and includes 18 mining claims covering 355 acres plus one 5-acre patented mill site. In August 2002, the Company acquired a controlling interest in the Montanore silver and copper deposit in Sanders County, Montana. The Company received a quitclaim deed from Noranda Mineral Corp. (Noranda) when Noranda elected to withdraw from the project. In December 2002, the Company received a quitclaim deed to all intellectual property connected with studies that Noranda carried out on the project.

Advance and Iroquois:

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 62 acres of patented mineral and surface rights and 15 unpatented mining claims containing 300 acres.

During 2007, the Company evaluated the carrying values of these properties and determined to record an impairment adjustment of \$504,492.

NOTE 3—PROPERTY, PLANT AND EQUIPMENT:

Construction has begun on the underground electrical, pumping, and ventilation systems at the Libby adit at the Montanore Project. The anticipated cost of these projects is expected to total \$2,517,000 with approximately \$1,500,000 included in construction in progress as of December 31, 2008. Also included in construction in progress as of December 31, 2008 are approximately \$100,000 in costs associated with the construction of a nitrate treatment and removal system at the Montanore Project site. The estimated total cost of this project is \$1,798,000.

Included in the Company's construction in progress account is an asset of approximately \$344,000 related to an asset retirement obligation associated with the Company's underground evaluation program at the Montanore Project, as further described in Note 8.

NOTE 4—CERTIFICATES OF DEPOSIT:

The Company owns six \$236,707 certificates of deposit for a total of \$1,420,242. These investments mature in 2009 and bear interest at the rate of 4.21%. The Company purchased a \$5,000,000 certificate of deposit during 2008, which is pledged as security for the line of credit described in Note 7. This certificate matures in September 2009 and bears interest at the rate of 3.54%.

The Company also has a \$1,124,055 certificate of deposit which is pledged as security for a Letter of Credit to the Montana Department of Environmental Quality as a reclamation guarantee for the Montanore expansion evaluation program. This certificate had a maturity date of January 3, 2009 and automatically renews annually. It was renewed on January 3, 2009, and now matures on January 3, 2010. It currently bears interest at the rate of 4.5% and is included with reclamation deposits on the Consolidated Balance Sheets for the years ended December 31, 2008 and 2007.

NOTE 5—AVAILABLE-FOR-SALE SECURITIES:

Available-for-sale securities are comprised of common stocks which have been valued using quoted market prices in active markets. The following table summarizes the Company’s available-for-sale securities:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Cost	\$ 1,826,513	\$ 11,165
Unrealized Gains	8,263	121,351
Unrealized Losses	<u>(1,632,994)</u>	<u>—</u>
Fair Market Value	<u>\$ 201,782</u>	<u>\$132,516</u>

NOTE 6—FAIR VALUE MEASUREMENTS:

Effective January 1, 2008, the Company adopted the provisions of SFAS No. 157, *Fair Value Measurements* for the financial assets and liabilities which were measured at fair value on a recurring basis. SFAS No. 157 establishes a framework for measuring fair value in the form of a fair value hierarchy which prioritizes inputs into valuation techniques used to measure fair value into three broad levels. This hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). Further, financial assets and liabilities should be classified by level in the entirety based upon the lowest level of input that was significant to the fair value measurement. The three levels of the fair value hierarchy per SFAS No. 157 are as follows:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Quoted prices in inactive markets for identical assets or liabilities, quoted prices for similar assets or liabilities in active markets, or other observable inputs either directly related to the asset or liability or derived principally from corroborated observable market data.

Level 3: Unobservable inputs due to the fact that there is little or no market activity. This entails using assumptions in models of the fair value hierarchy:

The following table summarizes the Company’s financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2008, and the fair value calculation input hierarchy level that we have determined applies to each asset and liability category:

	<u>Balance at December 31, 2008</u>	<u>Input Hierarchy Level</u>
Assets:		
Available-for-sale securities	201,782	Level 1

NOTE 7—LINE OF CREDIT:

In connection with the acquisition of certain investments during 2008, the Company entered into a line of credit agreement with a credit limit of \$5,000,000 bearing interest at a rate equal to the Washington Trust Bank Index Rate. As of December 31, 2008, the line of credit had an outstanding balance of \$1,815,231 and the interest rate was 3.25% per annum. The line of credit matures on September 17, 2009 and is secured by a \$5,000,000 certificate of deposit.

NOTE 8—ASSET RETIREMENT OBLIGATIONS:

The Company has an asset retirement obligation (ARO) associated with its underground evaluation program at the Montanore Project. The ARO resulted from the reclamation and remediation requirements of the Montana Department of Environmental Quality as outlined in the Company's permit to carry out the evaluation program.

Estimated reclamation costs were discounted using a credit adjusted risk-free interest rate of 4.78% from the time the Company expects to pay the retirement obligation to the time it incurred the obligation, which is estimated at 25 years. In May 2008, the Company revised estimated reclamation costs based on additional work completed at the Montanore Project. The following table summarizes activity in the Company's ARO.

	<u>Year Ended December 31, 2008</u>
Balance January 1, 2008	—
Revisions of estimates	\$344,187
Accretion expense	32,046
Balance December 31, 2008	<u>\$376,233</u>

NOTE 9—CONCENTRATION OF CREDIT RISK:

The Company maintains its cash and cash equivalents in one financial institution. In October 2008, the Emergency Economic Stabilization Act of 2008 temporarily increased FDIC insurance from \$100,000 to \$250,000 per depositor through December 31, 2009. The Company's total uninsured bank deposit balance totals approximately \$22,746,000 as of December 31, 2008. To date, the Company has not experienced a material loss or lack of access to its invested cash or cash equivalents; however no assurance can be provided that access to the Company's invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

NOTE 10—STOCKHOLDERS' EQUITY:

Common Stock:

In 2004, the Company sold 1,285,000 common shares for \$6,425,000 (\$5.00 per share). In connection with the stock sales, the Company granted warrants to purchase up to 511,000 shares of common stock at \$7.25 per share through five years from the initial exercise date. The Company paid a cash finder's fee of 7% of the gross purchase price received in the offering. The finder also received 3% warrant compensation, or warrants to purchase 192,750 common shares at \$7.25 per share through February 18, 2009. In January of 2009, the Company extended the expiration date of the outstanding warrants to February 10, 2010. These warrants were repriced to \$6.00 per share in October 2005, to \$5.00 per share in April 2007, and to \$4.00 per share in November 2007 in accordance with the terms of the 2004 warrant agreement. Cumulative warrants exercised relating to this issue at December 31, 2008, 2007, and 2006, were 148,750, 145,750, and 40,000, respectively.

In 2005, the Company sold 1,016,667 common shares for \$6,100,002 (\$6.00 per share). In connection with the stock sales, the Company granted warrants to purchase up to 737,084 shares of common stock at \$8.25 per share through five years from the date of issuance. The Company paid a cash finder's fee of 7% of the gross purchase price received in the offering. The finder also received a 3.75% warrant compensation, or warrants to purchase 228,750 common shares at \$8.25 per share through October 20, 2010. These warrants were repriced at \$5.00 per share in April 2007, and to \$4.00

NOTE 10—STOCKHOLDERS' EQUITY: (Continued)

per share in November 2007 in accordance with the anti-dilution provisions of the 2005 warrant agreement. To date, no warrants relating to this issue have been exercised.

In 2005, the Company sold 40,000 common shares for \$240,000 (\$6.00 per share).

On April 20, 2007 the Company completed a public offering of 6,000,000 units at a price of \$5.00 per unit, resulting in gross proceeds of \$30,000,000 (\$28,200,000 net proceeds). Each unit is comprised of one share of common stock and one-half of one common stock purchase warrant, with each full warrant being exercisable for five years to purchase one share of common stock at a price of \$5.75 per share. The warrants are listed on the Toronto Stock Exchange and are tradable in US dollars under the symbol MGT.GTU. During the year ended December 31, 2008, the Company paid approximately \$241,000 in legal fees directly related to the 2007 common stock offering.

The underwriters were granted an over-allotment option, exercisable for a period of 30 days following the closing, to acquire up to an additional 900,000 units. On May 7, 2007, the underwriters exercised the over-allotment option for 836,600 units. The total offering was therefore 6,836,600 units for gross proceeds to the Company of \$34,183,000, or \$32,124,697 in net proceeds to the Company, after deducting underwriting commissions but before deducting offering expenses. To date, no warrants have been exercised.

On November 2, 2007 the Company sold 2,500,000 common shares at a price of \$4.00 per share, resulting in gross proceeds of \$10,000,000. In connection with the stock sale, the Company entered into a Right of First Refusal agreement (the "ROFR") which grants a twenty-year right of first proposal and a right to match third-party proposals, to purchase all or any portion of silver mined, produced or recovered by the Company in the State of Montana. The ROFR does not apply to trade sales and spot sales in the ordinary course of business or forward sales, in each case, for which no upfront payment is received by the Company.

The following table summarizes exercise prices and expirations dates of outstanding common stock purchase warrants as of December 31, 2008.

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiration Date</u>
362,250	\$4.00	February 10, 2010
1,520,234	\$4.00	October 20, 2010
3,418,300	\$5.75	April 20, 2012
<u>5,300,784</u>		

Preferred Stock:

The Company has authorized 10,000,000 shares of no par value preferred stock. Through December 31, 2008, the Company had not issued any preferred stock.

NOTE 11—STOCK OPTIONS:

During the year ended December 31, 2003, the shareholders of the Company approved two stock-based 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. During 2004, the Company increased the maximum number of common

NOTE 11—STOCK OPTIONS: (Continued)

shares available under the 2003 Stock Option Plan and the 2003 Consultant Stock Compensation Plan to 3,000,000 and 700,000 shares, respectively. The shares are issued from the Company's authorized and unissued common stock upon exercise.

Under both 2003 Stock Option Plans, the option exercise price may not be less than 100% of the fair market value per share on the date of grant. Stock options are exercisable within ten years from the date of the grant of the option. The schedule of vesting of the options granted under both plans is at the discretion of the Board of Directors.

In November 2007, the Board of Directors adopted, subject to shareholder approval, the 2007 Equity Incentive Plan (the "2007 Plan"), which provides for the issuance of both qualified and nonqualified stock options and restricted shares to directors, employees and consultants of the Company. Up to 3,000,000 shares of the Company's authorized but unissued common stock are available for issuance under the 2007 Plan.

The Company has a policy of re-pricing stock options when the market price of the stock is \$1.00 below the exercise price of the outstanding option. The newly issued option has the same vesting schedule and expiration date as the option that is cancelled. During 2008, the Company cancelled and reissued 3,452,000 stock options held by 20 employees, including officers and directors. During 2007, the Company cancelled and reissued 1,670,000 stock options held by 12 employees, including officers and directors. As a result, the Company recognized additional compensation expense of \$661,096 and \$462,527 for the years ended December 31, 2008 and 2007, respectively. There were no stock options re-priced during 2006.

A summary of the option activity under the Plans as of December 31, 2008, and changes during the year then ended, is presented below:

	Number of Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2007	2,136,000	\$2.68		
Granted	760,000	\$1.02		
Exercised	(620,000)	\$1.68		
Forfeited or expired	(5,000)	\$6.20		
Outstanding at December 31, 2008 .	<u>2,271,000</u>	<u>\$1.37</u>	<u>3.27</u>	<u>\$744,080</u>
Exercisable at December 31, 2008 . .	<u>1,761,000</u>	<u>\$1.38</u>	<u>2.60</u>	<u>\$106,580</u>

The fair value for each option award is estimated at the date of grant using the Black-Scholes option-pricing model using the assumptions noted in the following table. Volatility for the years presented is based on the historical volatility of the Company's common stock over the expected life of the option. The risk-free rate for periods within the expected term of the option is based on the U.S.

NOTE 11—STOCK OPTIONS: (Continued)

Treasury yield curve in effect at the time of the grant. The Company does not foresee the payment of dividends in the near term.

	Years Ended December 31,		
	2008	2007	2006
Weighted average risk-free interest rate	2.59%	3.19%	4.67%
Weighted average volatility	52.09%	56.39%	59.02%
Expected dividend yield	—	—	—
Weighted average expected life (in years)	2.00	2.00	2.00

The weighted average grant-date fair value of options granted during the years 2008, 2007, and 2006 was \$1.42, \$1.00, and \$1.78, respectively. The total intrinsic value of the options exercised during the years ended December 31, 2008 and 2006 was \$1,313,568 and \$1,318,609, respectively. There were no options exercised during the year ended December 31, 2007.

A summary of the status of the Company's nonvested options as of December 31, 2008, and changes during the year then ended, is presented below:

	Number of Options	Weighted- Average Grant-Date Fair Value
Nonvested at January 1, 2007	290,000	\$1.27
Granted	385,000	\$1.41
Vested	(165,000)	\$1.42
Forfeited	—	—
Nonvested at December 31, 2008	<u>510,000</u>	<u>\$1.33</u>

As of December 31, 2008, there was \$264,635 of unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plans. That cost is expected to be recognized over a weighted-average period of less than one year.

Total compensation costs recognized for stock-based employee compensation awards was \$1,637,759, \$795,332, and \$899,260 for the years ended December 31, 2008, 2007, and 2006, respectively. Total costs recognized for stock-based compensation awards for services performed by outside parties was \$87,145, \$148,188, and \$38,635 for the years ended December 31, 2008, 2007, and 2006, respectively. These costs were included in administrative and technical expenses on the Statement of Operations. Cash received from options exercised under all share-based payment arrangements for the years ended December 31, 2008, 2007, and 2006 was \$800,000, \$-0-, and \$879,250, respectively.

NOTE 12—DEFERRED INCOME TAX:

At December 31, 2008 and 2007, the Company had net deferred tax assets that were fully reserved by valuation allowances. Following are the components of such assets and allowances:

	Years Ended December 31,	
	2008	2007
Deferred tax assets:		
Net operating loss carryforwards	\$ 10,450,000	\$ 2,993,000
Stock-based compensation	740,000	752,000
Property, plant and equipment	170,000	75,000
Asset retirement obligation	10,000	—
Total deferred tax assets	11,370,000	3,820,000
Deferred tax liabilities:		
Property, plant and equipment	400,000	50,000
Net deferred tax asset before valuation allowance . . .	10,970,000	3,770,000
Less valuation allowance	(10,970,000)	(3,770,000)
Net deferred tax assets	<u>\$ —</u>	<u>\$ —</u>

For the periods presented, the effective income tax rate differed from the expected rate because of the effects of changes in the deferred tax asset valuation allowance. Changes in the deferred tax asset valuation allowance for the years ended December 31, 2008 and 2007 relate only to corresponding changes in deferred tax assets for those periods.

At December 31, 2008, the Company had federal tax-basis net operating loss carryforwards totaling approximately \$30,700,000 which will expire in various amounts from 2009 through 2028. The Company is subject to examination of its income tax filings in the United States and various state jurisdictions for the 2004 through 2007 tax years. Within each of these jurisdictions the Company has examined its material tax positions and determined that they would more likely than not be sustained.

NOTE 13—COMMITMENTS:

Operating Leases:

The Company leases office space and equipment. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2008.

Year ending December 31:	
2009	54,000
2010	55,000
2011	11,000
2012	1,250
Total minimum payments required	<u>121,250</u>

Employment Agreements:

The Company has employment agreements with certain executives. The agreements include a provision for severance pay equal to a multiple of each executive's salary. To receive severance, termination must be without cause and cannot be a result of death or disability. Additionally, severance

NOTE 13—COMMITMENTS: (Continued)

must be paid if the executive resigns for good reason within one year following a change in control of the Company. As of March 16, 2009, the potential aggregate liability for severance pay under the agreements is \$2,000,000.

NOTE 14—BUSINESS COMBINATION:

On May 31, 2006, Noranda Finance Inc., as transferor, the Company and Newhi, Inc., a wholly-owned subsidiary of the Company, as transferee, executed a stock transfer agreement pursuant to which Noranda Finance Inc. transferred to Newhi, Inc. all the issued and outstanding shares of capital stock of its subsidiaries, Noranda Minerals Corp. and Normin Corp. Noranda Minerals Corp. and Normin Corp. hold certain licenses and permits relating to the Montanore Project, including the Montana State Hard Rock Permit #00150 and MPDES permit MT-00320279, which stayed in place following the transfer. No cash consideration was paid to the transferor in the transaction, but Newhi submitted a \$30,000 cash bond to the Montana Department of Environmental Quality to replace the reclamation bond covering the Montanore Project that had previously been posted by the Noranda entities. In addition, the Company and the transferee agreed to indemnify the transferor for all past, present and future liabilities, including litigation, environmental and reclamation liabilities, relating to the transferred subsidiaries and their assets. As of the date of the acquisition through December 31, 2008, none of these were probable liabilities. Subsequent to the acquisition, the names of the acquired subsidiaries were changed to Montanore Mineral Corporation and Montmin Corporation, respectively.

Because no cash was paid and no liquidated liabilities assumed in the transaction, the Company's balance sheet did not change to reflect the transaction, except that a \$30,000 asset was included in "Prepaid expenses and deposits" to reflect the cash bond posted.

NOTE 15—SETTLEMENT AGREEMENT:

On August 11, 2005, Mines Management was named as a co-defendant along with Noranda Minerals, Normin Corp. and Newhi, Inc. in a lawsuit filed by Montana Reserves Company (MRC) in the Superior Court of the State of Washington in Spokane County, Washington. The action sought damages in connection with the conveyance of the Montanore property from Noranda to Newhi, and challenged the computation of a net proceeds royalty payable to MRC pursuant to a Royalty Agreement between Noranda and MRC in respect to the Montanore property. On October 18, 2007, the Company agreed to purchase the net proceeds royalty from MRC for \$500,000 cash, in consideration of the dismissal with prejudice of all claims. The settlement agreement was executed on November 6, 2007 and the settlement amount was included in administrative expenses on the Statement of Operations for the year ended December 31, 2007.

NOTE 16—QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

The following is a summary of unaudited financial information for each quarter in the years ended December 31, 2008 and 2007:

	Year Ended December 31, 2008			
	For the Three Months Ended			
	March 31, 2008	June 30, 2008	September 30, 2008	December 31, 2008
Revenue:	\$ 3,080	\$ 5,247	\$ 3,429	\$ 6,352
Operating Expenses:	2,091,918	2,788,754	3,278,399	2,984,379
Loss from Operations	(2,088,838)	(2,783,507)	(3,274,970)	(2,978,027)
Other Income:	283,520	198,212	189,336	147,637
Net Loss	<u>\$(1,805,318)</u>	<u>\$(2,585,295)</u>	<u>\$(3,085,634)</u>	<u>\$(2,830,390)</u>
Net Loss Per Share (basic and diluted)	<u>\$ (0.08)</u>	<u>\$ (0.11)</u>	<u>\$ (0.14)</u>	<u>\$ (0.12)</u>
Weighted Average Common Shares				
Outstanding (basic and diluted)	<u>22,415,581</u>	<u>22,746,220</u>	<u>22,750,841</u>	<u>22,756,848</u>
	Year Ended December 31, 2007			
	For the Three Months Ended			
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007
Revenue:	\$ 2,015	\$ 678	\$ 2,277	\$ 5,770
Operating Expenses:	2,044,488	1,694,601	2,148,822	3,569,839
Loss from Operations	(2,042,473)	(1,693,923)	(2,146,545)	(3,564,069)
Other Income:	197,238	129,707	407,362	379,637
Net Loss	<u>\$(1,845,235)</u>	<u>\$(1,564,216)</u>	<u>\$(1,739,183)</u>	<u>\$(3,184,432)</u>
Net Loss Per Share (basic and diluted)	<u>\$ (0.14)</u>	<u>\$ (0.09)</u>	<u>\$ (0.09)</u>	<u>\$ (0.15)</u>
Weighted Average Common Shares				
Outstanding (basic and diluted)	<u>12,849,467</u>	<u>18,008,843</u>	<u>19,736,067</u>	<u>21,257,806</u>

Net loss per share is computed independently for each of the quarters presented. Therefore, the sums of quarterly net loss per common share amounts do not necessarily equal the total for the year due to rounding.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized and reported within the time period specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to the Company’s management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial disclosure.

The management of the Company, under the supervision and with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the Company’s disclosure controls and procedures, pursuant to Exchange Act Rules 13a-15(e) or 15d-15(e) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of the end of the period covered by this report.

Management’s Report on Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets,
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of its internal control over financial reporting as of December 31, 2008. In making its assessment of the effectiveness of internal control over financial reporting, management used the criteria described in “Internal Control—Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on its assessment using those criteria, management concluded that Mines Management maintained effective internal control over financial reporting as of December 31, 2008.

Management's assessment of the effectiveness of Mines Management's internal control over financial reporting as of December 31, 2008, has been audited by Tanner LC, our independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 that occurred during the Company's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Reference is made to the information set forth under the captions “Election of Directors” and “Executive Officers” in our definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, which information is incorporated by reference to this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Reference is made to the information set forth under the captions “Directors Compensation” and “Executive Compensation” in the proxy statement and is incorporated herein by reference to this Annual Report on Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Reference is made to the information set forth under the captions “Security Ownership of Principal Shareholders and Management” in the proxy statement, which information is incorporated by reference in this Annual Report on Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Reference is made to the information set forth under the captions “Certain Transactions” in the proxy statement, which information is incorporated by reference in this Annual Report on Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Reference is made to the information set forth under the captions “Audit Committee Report” in the proxy statement, which information is incorporated by reference in this Annual Report on Form 10-K.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report on Form 10-K or incorporated by reference:

- (1) Our consolidated financial statements beginning on page 30 of this report.
- (2) Financial Statement Schedules (omitted because they are either not required, are not applicable, or the required information is disclosed in the notes to the financial statements or related notes).
- (3) The following exhibits are filed with this Annual Report on Form 10-K or incorporated by reference.

EXHIBITS

Exhibit Number	Description of Exhibits
3.1	Articles of Incorporation of Mines Management, Inc., as amended.(1)(2)
3.2	Bylaws of Mines Management, Inc.(1)
4.1	Specimen of Certificate of Common Stock, par value \$0.001.(3)
4.2	Securities Purchase Agreement dated October 21, 2005.(4)
4.3	Form of Warrant issued pursuant to the Securities Purchase Agreement.(5)
4.4	Registration Rights Agreement dated October 21, 2005.(6)
4.5	Warrant Agreement dated April 16, 2007 between Mines Management, Inc. and Computershare Shareholder Services, Inc. and Computershare Trust Company, N.A.(7)
4.6	Subscription Agreement dated November 2, 2007 between Mines Management, Inc. and Silver Wheaton Corp.(8)
4.7	Registration Rights Agreement dated November 2, 2007 between Mines Management, Inc. and Silver Wheaton Corp.(9)
4.8	Amendment No. 1 to Registration Rights Agreement dated March 12, 2008 between Mines Management, Inc. and Silver Wheaton Corp.(10)
10.1	Right of First Refusal Agreement dated November 2, 2007 between Mines Management, Inc. and Silver Wheaton Corp.(11)
10.2	Employment Agreement dated August 7, 2007 between Mines Management, Inc. and Douglas Dobbs.(12)
10.3	Employment Agreement dated August 7, 2007 between Mines Management, Inc. and Glenn M. Dobbs.(13)
10.4	Employment Agreement dated August 7, 2007 between Mines Management, Inc. and James H. Moore.(14)
10.5	Mines Management, Inc., 1998 Stock Option Plan.(15)
10.6	Mines Management, Inc., 1998 Incentive Stock Option Plan.(15)
10.7	Mines Management, Inc., 2003 Stock Option Plan.(16)
10.8	Mines Management, Inc., 2003 Consultant Stock Compensation Plan.(16)
14	Code of Ethics.(17)
21	Subsidiaries of the Registrant.
23.1	Consent of Tanner LC.
23.2	Consent of LeMaster & Daniels PLLC
23.3	Consent of Mine Development Associates, Inc.
31.1	Certification of Chief Executive Officer of Periodic Report pursuant to Rule 13a-14(a) and Rule 15d-14(a)(Section 302 of the Sarbanes-Oxley Act of 2002).

Exhibit Number	Description of Exhibits
31.2	Certification of Chief Financial Officer of Periodic Report pursuant to Rule 13a-14(a) and Rule 15d-14(a)(Section 302 of the Sarbanes-Oxley Act of 2002).
32.1	Certificate of Principal Executive Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
32.2	Certificate of Principal Financial Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).

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- (1) Incorporated by reference to Exhibit 3 of Form 10-SB filed November 12, 1998.
 - (2) Incorporated by reference to Exhibit 3.1 of Form 10-Q for the quarter ended June 30, 2005.
 - (3) Incorporated by reference to Exhibit 4.1 of Form S-3 filed June 12, 2006.
 - (4) Incorporated by reference to Exhibit 4.1 to Form 8-K filed October 24, 2005.
 - (5) Incorporated by reference to Exhibit 4.2 to Form 8-K filed October 24, 2005.
 - (6) Incorporated by reference to Exhibit 4.3 to Form 8-K filed October 24, 2005.
 - (7) Incorporated by reference to Exhibit 1.2 to Form 8-K filed April 20, 2007.
 - (8) Incorporated by reference to Exhibit 4.1 to Form 10-Q for the quarter ended September 30, 2007.
 - (9) Incorporated by reference to Exhibit 4.2 to Form 10-Q for the quarter ended September 30, 2007.
 - (10) Incorporated by reference to Exhibit 4.8 of Form 10-K for the year ended December 31, 2007.
 - (11) Incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended September 30, 2007.
 - (12) Incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended June 30, 2007.
 - (13) Incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended June 30, 2007.
 - (14) Incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ended June 30, 2007.
 - (15) Incorporated by reference to Form S-8 filed April 24, 2003.
 - (16) Incorporated by reference to Form S-8 filed June 10, 2005.
 - (17) Incorporated by reference to Exhibit 14.1 to Form 8-K filed December 8, 2008.

EXHIBIT INDEX

Exhibit Number	Description of Exhibits
3.1	Articles of Incorporation of Mines Management, Inc., as amended.(1)(2)
3.2	Bylaws of Mines Management, Inc.(1)
4.1	Specimen of Certificate of Common Stock, par value \$0.001.(3)
4.2	Securities Purchase Agreement dated October 21, 2005.(4)
4.3	Form of Warrant issued pursuant to the Securities Purchase Agreement.(5)
4.4	Registration Rights Agreement dated October 21, 2005.(6)
4.5	Warrant Agreement dated April 16, 2007 between Mines Management, Inc. and Computershare Shareholder Services, Inc. and Computershare Trust Company, N.A.(7)
4.6	Subscription Agreement dated November 2, 2007 between Mines Management, Inc. and Silver Wheaton Corp.(8)
4.7	Registration Rights Agreement dated November 2, 2007 between Mines Management, Inc. and Silver Wheaton Corp.(9)
4.8	Amendment No. 1 to Registration Rights Agreement dated March 12, 2008 between Mines Management, Inc. and Silver Wheaton Corp.(10)
10.1	Right of First Refusal Agreement dated November 2, 2007 between Mines Management, Inc. and Silver Wheaton Corp.(11)
10.2	Employment Agreement dated August 7, 2007 between Mines Management, Inc. and Douglas Dobbs.(12)
10.3	Employment Agreement dated August 7, 2007 between Mines Management, Inc. and Glenn M. Dobbs.(13)
10.4	Employment Agreement dated August 7, 2007 between Mines Management, Inc. and James H. Moore.(14)
10.5	Mines Management, Inc., 1998 Stock Option Plan.(15)
10.6	Mines Management, Inc., 1998 Incentive Stock Option Plan.(15)
10.7	Mines Management, Inc., 2003 Stock Option Plan.(16)
10.8	Mines Management, Inc., 2003 Consultant Stock Compensation Plan.(16)
14	Code of Ethics.(17)
21	Subsidiaries of the Registrant.
23.1	Consent of Tanner LC.
23.2	Consent of LeMaster & Daniels PLLC
23.3	Consent of Mine Development Associates, Inc.
31.1	Certification of Chief Executive Officer of Periodic Report pursuant to Rule 13a-14(a) and Rule 15d-14(a)(Section 302 of the Sarbanes-Oxley Act of 2002).
31.2	Certification of Chief Financial Officer of Periodic Report pursuant to Rule 13a-14(a) and Rule 15d-14(a)(Section 302 of the Sarbanes-Oxley Act of 2002).
32.1	Certificate of Principal Executive Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
32.2	Certificate of Principal Financial Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).

(1) Incorporated by reference to Exhibit 3 of Form 10-SB filed November 12, 1998.

(2) Incorporated by reference to Exhibit 3.1 of Form 10-Q for the quarter ended June 30, 2005.

(3) Incorporated by reference to Exhibit 4.1 of Form S-3 filed June 12, 2006.

(4) Incorporated by reference to Exhibit 4.1 to Form 8-K filed October 24, 2005.

(5) Incorporated by reference to Exhibit 4.2 to Form 8-K filed October 24, 2005.

(6) Incorporated by reference to Exhibit 4.3 to Form 8-K filed October 24, 2005.

(7) Incorporated by reference to Exhibit 1.2 to Form 8-K filed April 20, 2007.

- (8) Incorporated by reference to Exhibit 4.1 to Form 10-Q for the quarter ended September 30, 2007.
- (9) Incorporated by reference to Exhibit 4.2 to Form 10-Q for the quarter ended September 30, 2007.
- (10) Incorporated by reference to Exhibit 4.8 of Form 10-K for the year ended December 31, 2007.
- (11) Incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended September 30, 2007.
- (12) Incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended June 30, 2007.
- (13) Incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended June 30, 2007.
- (14) Incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ended June 30, 2007.
- (15) Incorporated by reference to Form S-8 filed April 24, 2003.
- (16) Incorporated by reference to Form S-8 filed June 10, 2005.
- (17) Incorporated by reference to Exhibit 14.1 to Form 8-K filed December 8, 2008.

SUBSIDIARIES OF THE REGISTRANT

Newhi, Inc. (WA)

Montanore Mineral Corporation (DE)

Montanore Corporation (DE)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption “Experts” in the Registration Statements on Forms S-8 (File Nos. 333-125701, 333-104724 and 333-152732) and Forms S-3 (File Nos. 333-129784, 333-114258, 333-134992 and 333-148069) of Mines Management, Inc. and to the incorporation by reference therein of our reports dated March 16, 2009 with respect to the consolidated financial statements and internal control over financial reporting of Mines Management, Inc. included in its Annual Report (Form 10-K) for the year ended December 31, 2008 as filed with the Securities and Exchange Commission.

/s/ TANNER LC

Salt Lake City, Utah
March 16, 2009

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption “Experts” in the Registration Statements on Forms S-8 (File Nos. 333-125701, 333-104724 and 333-152732) and Forms S-3 (File Nos. 333-129784, 333-114258, 333-134992 and 333-148069) of Mines Management, Inc. and to the incorporation by reference therein of our report dated March 12, 2008 with respect to the consolidated financial statements of Mines Management, Inc. as of December 31, 2007 and for the years ended December 31, 2007 and 2006 appearing in this Annual Report on Form 10-K of Mines Management, Inc. for the year ended December 31, 2008.

/s/ LEMASTER & DANIELS PLLC

Spokane, Washington
March 16, 2009

CONSENT OF MINE DEVELOPMENT ASSOCIATES INC.

We hereby consent to the incorporation by reference of mineralization or resources and other analyses performed by us in our capacity as an independent consultant to Mines Management, Inc. (the "Company"), which are set forth in the Annual Report on Form 10-K for the year ended December 31, 2008, in the Registration Statements on Forms S-8 (File Nos. 333-125701, 333-104724 and 333-152732) and Forms S-3 (File Nos. 333-129784, 333-114258, 333-134992 and 333-148069)), as amended, or any related abbreviated registration statement filed by the Company with the Securities and Exchange Commission pursuant to Rule 462(b) under the Securities Act of 1933, as amended, or in any amendment to any of the foregoing, or to any prospectuses or amendments or supplements thereto. We also consent to the reference to us under the heading "Experts" in such Registration Statements and any prospectuses.

Mine Development Associates, Inc.

/s/ STEVE RISTORCELLI

Name: Steve Ristorcelli

Title: Authorized Person

March 13, 2009

CERTIFICATION

I, Glenn M. Dobbs, certify that:

1. I have reviewed this Form 10-K of Mines Management, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 16, 2009

/s/ GLENN M. DOBBS

Glenn M. Dobbs
Chief Executive Officer

CERTIFICATION

I, James H. Moore, certify that:

- 1 I have reviewed this Form 10-K of Mines Management, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 16, 2009

/s/ JAMES H. MOORE

James H. Moore
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Mines Management, Inc. (the "Company") on Form 10-K for the period ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 16, 2009

/s/ GLENN M. DOBBS

Glenn M. Dobbs
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Mines Management, Inc. and will be retained by Mines Management, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Mines Management, Inc. (the "Company") on Form 10-K for the period ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 16, 2009

/s/ JAMES H. MOORE

James H. Moore
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Mines Management, Inc. and will be retained by Mines Management, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

CORPORATE INFORMATION



OFFICERS

Glenn M. Dobbs
President and Chief Executive Officer

James H. Moore
Chief Financial Officer / Treasurer

John H. Thompson
*Vice President & General Manager
Montanore Minerals Corp.*

Douglas D. Dobbs
*Vice President, Corporate Development
& Investor Relations*

DIRECTORS

Glenn M. Dobbs
Chairman

Russell C. Babcock, P.Ge.
Director

Roy G. Franklin, C.P.A.
Director

Jerry G. Pogue
Director

Robert L. Russell, P.Eng.
Director

CORPORATE INFORMATION

CORPORATE HEADQUARTERS

Mines Management, Inc.

905 West Riverside Avenue - Suite 311

Spokane, Washington 99201

Phone:

(509)838-6050

Fax:

(509)838-0486

Email:

info@minesmanagement.com

Website:

www.minesmanagement.com

Montanore Minerals Corp.

1860 Highway 2 South
Libby, Montana 59923

LEGAL COUNSEL

Davis Graham & Stubbs, LLP
1550 17th Street - Suite 500
Denver, Colorado 80202

Stikeman Elliott LLP

6666 Burrard Street - Suite 1700
Vancouver, British Columbia
Canada V6C 2X8

AUDITORS

Tanner & Company LC
Salt Lake City, Utah



Mines Management, Inc.



Mines Management, Inc.

Mines Management, Inc.

905 West Riverside Ave.

Suite 311

Spokane, Washington 99201

Phone: (509)838-6050

Fax: (509)838-0486

Email: info@minesmanagement.com

Website: www.minesmanagement.com

NYSE Amex:

MGN

TSX:

MGT