

President's Letter to Shareholders



Glenn M. Dobbs
President & CEO
Chairman of the Board

Dear Shareholders of MMI:

We have just completed one of the more interesting and productive years in the history of our company. The primary focus of the company remains re-permitting the large Montanore silver-copper project in Montana, and preparing to advance our engineering efforts toward the feasibility stage.

Two major milestones were achieved during the year. In February, 2009, the final 1,000-page "Draft" Environmental Impact Statement (EIS) was completed and, in April, released for public comment. This milestone marks a significant step forward into the final phase of the federal permitting process.

The Environmental Impact Statement (EIS) in the United States is a very comprehensive document covering all conceivable effects of a mining project on the environment, the region and local community. As of the end of the year, the Company had spent \$3 million directly on preparation of the EIS and we expect to spend another \$1.5 million before final permitting is achieved. In addition, indirect expenditures to date amount to approximately \$4.5 million, which included numerous consultants and comprehensive studies, mitigation and modelling.

At completion, the Company will have spent more than \$10 million on permitting, and achieving a comprehensive and carefully studied, and highly documented mine plan supported by the original permitting activities completed in 1993.

President's Letter to Shareholders, continued

Operating under the State of Montana's Hard Rock Operating Permit #150, work to dewater and re-habilitate the 14,000 foot decline (adit) was initiated in mid-2008. More than \$6.2 million worth of equipment was purchased and a state of the art water filtration plant was installed at the site at a cost of \$1.5 million, along with construction of a shop and generator building, office and dry, and a system for water and waste rock storage.

Underground activities continued into 2009, with substantial work having been completed in the evaluation adit, including scaling of the back and new roof bolting, installation of sumps and necessary water system infrastructure, and general rehabilitation down to the 7,400 foot level. We are currently maintaining the underground, continuing with ongoing monitoring and water filtration, and making preparations for resumption of underground activities, pending completion of the EIS, followed by extension of the adit and the evaluation drilling program.

The final steps toward the conclusion of permitting include the integration of public comments into the Final Environmental Impact Statement (FEIS), addressing issues and concerns raised in public comments, the biological consultation and selection of preferred alternatives for the major components of the mine, followed by a Record of Decision (ROD). On page 10 of this report you will find a graphic illustration of the entire NEPA process, and see the relatively few number of steps remaining.

Permitting in the United States is a time consuming and expensive process, but at the end of the day, once a project is permitted, it is located in a very favorable jurisdiction. The United States remains a free market, with the most politically stable and predictable business environment in the world, and we look forward to moving ahead toward development of what we believe is one of the premier metals projects in North America.

The Company ended the year with approximately \$12.5 million in the bank, which is sufficient to support operations through the conclusion of the foreseeable permitting process. We have a great deposit, and the requisite complement of skillsets in our management team and on our board to see it to fruition.

Once again, I would like to express our gratitude to all of our shareholders who have extended their support and loyalty to the Company and our employees. We will continue doing everything within our power to produce value for your investment in Mines Management.

Kind regards,

Glenn M. Dobbs
President and Chief Executive Officer.