

## **LINEAR METALS CORPORATION**

### **Management Discussion and Analysis**

### **For the Year Ended October 31, 2008**

*This Management Discussion and Analysis of Linear Metals Corporation (the "Company") provides analysis of the Company's financial results for the year ended October 31, 2008. The following information should be read in conjunction with the accompanying audited financial statements and the notes to the audited financial statements.*

*This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address anticipated operating costs, possible future resource property expenditures, reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects are considered forward-looking because we have used what we know and expect today to make a statement about the future. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Forward looking statements usually include words such as may, expect, plan, anticipate, budget, believe or other similar words. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Additional details of the specific risks associated with the operations of the Company and such forward looking statements are set out below under "Risks and Uncertainties". Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward looking statements.*

#### **1.1 Date of Report**

This report is prepared as of January 28, 2009.

#### **1.2 Nature of Business and Overall Performance**

Linear Metals is a junior exploration company listed on the Toronto Stock Exchange. The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The Company owns or controls, under option, an interest in five properties, including two properties in Mexico, through its subsidiary Linear Metal Corp. Mexico, S.A. de C.V., and three properties in Canada. The Company has been focusing its exploration activities primarily on the Cobre Grande property in Mexico and the KM61 property in Canada, where the Company has made significant mineral discoveries, leading to the announcement of National Instrument 43-101 compliant resource estimates for each property during calendar 2008.

On November 6, 2007, the Company completed a brokered private placement of 3,900,000 flow-through common shares at a price of \$1.80 per flow-through share, for gross proceeds of \$7.0 million. The Company has used the proceeds of this financing to fund exploration activities in Canada throughout the past year.

During the year ended October 31, 2008, the Company incurred a loss before income taxes of \$2.5 million. This is approximately \$1.4 million greater than the loss before income taxes incurred by the Company in fiscal 2007. The Company has recognized a net loss after taxes of \$1.5 million, compared to a net loss of \$1.1 million in the prior year. The significant change in the loss before income taxes was primarily attributable to a \$1.1 million write-down of certain resource properties during the current year, and the net income after taxes was impacted by a future income tax recovery of \$1.0 million arising from the renunciation of eligible exploration expenditures related to the issuance of flow through shares and accompanying recovery of future tax assets previously subject to a full valuation allowance. The Company continues to have no revenue-producing operations and is dependent on future equity financings and/or project financing alternatives, to fund future operations and continue exploration programs.

In light of current market conditions, management has implemented significant cost reduction strategies to reduce the Company's day to day operating costs and to ensure the Company endures through these difficult market conditions. The Company's priority is to maintain legal title to its material mineral properties, with established mineral resources, while continuing to seek strategic opportunities. Subsequent to October 31, 2008, the Company has temporarily suspended its exploration activities until there is an improvement in the financial markets and/or an opportunity to raise additional equity financing at improved levels. Despite these efforts, there is no guarantee that the Company will be able to raise capital in the future and continue as a going concern.

### 1.3 Selected Annual Information

Expressed in thousands of Canadian dollars, except per share amounts:

Fiscal Year	2008	2007	2006
Revenues	\$ 263	\$ 280	\$ 4
Net loss	\$ 1,485	\$ 1,112	\$ 249
Basic & diluted net loss per share	\$ 0.04	\$ 0.03	\$ 0.02
Total assets	\$ 18,432	\$ 13,902	\$ 2,148
Cash dividends per common share	N/A	N/A	N/A

*This financial data has been prepared in accordance with Canadian generally accepted accounting principles, and all figures are stated in Canadian dollars.*

The Company was incorporated on November 17, 2004 as a wholly-owned subsidiary of Linear Gold Corp. ("Linear Gold") and was inactive prior to March 2006. The Company acquired interests in mineral properties from Linear Gold during a corporate reorganization that occurred during the second quarter of fiscal 2006.

The reorganization resulted in the distribution of 100% of the Company's shares by Linear Gold in June 2006 and since then the Company has operated as a stand-alone entity. The Company expects to record losses until such time as an economic resource is identified, developed and exploited on one or more of the Company's properties. The Company's net losses in the future will be significantly impacted by any write-downs or abandonments of any resource properties.

### 1.4 Results of Operations

The Company has no operating revenues and is dependent on equity financings and/or project financing alternatives to fund its operations. As a result, the Company continues to incur operating losses.

During the year ended October 31, 2008, the Company incurred a net loss of \$1.5 million. The Company's operating expenses during the year totalled \$2.7 million, an increase of 108% over the previous year, due primarily to a write-down of certain resource properties in the amount of \$1.1 million during the year, compared with a write-down of \$0.1 million during the prior year. Significant operating expenses included \$0.5 million in management salaries and services, including director insurance premiums, accrued director fees, and a total of \$0.1 million paid to Linear Gold during the year pursuant to a Management Services Agreement. Investor relations and marketing expenses during the year totalled \$0.4 million, an increase of 161% from the previous year as a result of significantly increased investor relations and marketing activities during the first three quarters of fiscal 2008. General and administrative costs amounted to \$0.2 million, an increase of 70% compared to the prior year due to the opening of a Toronto office during the third quarter of fiscal 2007. The Company incurred financing costs of \$0.1 million, representing the Part XII.6 taxes incurred in conjunction with the unspent portion of flow through funds throughout the year. The Company recorded non-cash stock-based compensation expense of \$0.3 million attributable to the value of stock options earned during the year, an increase of 9% compared to the prior year, as well as a non-cash amortization expense of \$26,381, representing depreciation of the Company's capital assets. In addition, the Company capitalized \$0.2 million of non-cash stock-based compensation expense during the year to resource properties, attributable to the value of stock options earned by the Company's exploration personnel and also capitalized \$17,525 of non-cash amortization expense attributable to the use of capital assets in the Company's exploration activities. The

Company also recognized a future income tax recovery of \$1.0 million in conjunction with the renunciation of eligible exploration expenditures related to the issuance of flow through shares.

During the year ended October 31, 2008, the Company wrote off resource property expenditures of \$1.1 million related to termination of its property options on both the Ecatepec and La Trinidad properties in Mexico and its Stenlund property in Canada. The Company will continue to review its portfolio of resource properties and write-down the carrying costs of any properties considered to be impaired in value.

The Company incurred a currency exchange gain of \$14,216 during the year relating to its foreign currency transactions. The Company may continue to incur foreign exchange gains and losses arising from changes in the value of the Mexican and U.S. currencies used in the conduct of its business, relative to the Canadian dollar.

## 1.5 Summary of Quarterly Results and Significant Fourth Quarter Events

Expressed in thousands of Canadian dollars, except per share amounts:

	Fiscal 2008				Fiscal 2007			
	Q4 Oct-08	Q3 * Jul-08	Q2 * Apr-08	Q1 Jan-08	Q4 Oct-07	Q3 Jul-07	Q2 Apr-07	Q1 Jan-07
Revenues	\$ 18	\$ 39	\$ 74	\$ 132	\$ 84	\$ 96	\$ 82	\$ 18
Net loss	\$ (559)	\$ (348)	\$ (462)	\$ (116)	\$ (440)	\$ (274)	\$ (252)	\$ (146)
Basic & diluted net loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ 0.00	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Total assets	\$ 18,432	\$ 19,138	\$ 19,343	\$ 20,573	\$ 13,902	\$ 13,917	\$ 14,259	\$ 4,488

*This financial data has been prepared in accordance with Canadian generally accepted accounting principles, and all figures are stated in Canadian dollars.*

*\*The financial information for Q2 and Q3 of fiscal 2008 has been adjusted to reflect the treatment of the recovery of future tax assets previously subject to a full valuation allowance, resulting in an increase in the Q2 net loss of \$1.1 million and a decrease in the Q3 net loss of \$0.1 million.*

Prior to Linear Gold's reorganization and distribution of the Company's shares on June 26, 2006, the Company was a wholly-owned subsidiary of Linear Gold, and prior to March 2006, the Company was inactive. As discussed in section 1.3, the Company received its mineral properties during the second quarter of fiscal 2006.

During the fourth quarter of fiscal 2008 and continuing beyond October 31, 2008, the Company has taken measures to significantly reduce its cash operating expenditures during this period of challenging financial markets. Total operating expenditures for the fourth quarter totalled \$0.5 million and primarily consisted of a write-down in resource properties of \$0.3 million arising from the write-down of the Stenlund property in Canada and the La Trinidad property in Mexico. A foreign exchange loss of \$0.1 million was also incurred by the Company during the fourth quarter of fiscal 2008, relating to its foreign currency transactions and the decline in the value of the Mexican peso during the quarter. The Company may continue to incur foreign exchange gains and losses arising from changes in the value of Mexican and U.S. currencies used in the conduct of its business, relative to the Canadian dollar.

## 1.6 Liquidity Capital Resources and Going Concern

As of October 31, 2008, the Company had working capital of \$1.5 million. As a result of the issuance of the flow-through shares, approximately \$0.1 million of this amount was required to be and was spent on qualifying Canadian exploration expenditures by the Company prior to December 31, 2008. During the year ended October 31, 2008, the Company used \$1.2 million of its working capital to fund operating expenses and \$10.7 million to fund net cash resource property expenditures for the year, including sales taxes recoverable on resource property expenditures.

During fiscal 2008, financing activities resulted in net cash proceeds of \$6.8 million to the Company. The Company issued a total of 4,140,341 common shares, including 4,047,841 shares issued in connection with the Company's flow-through financing completed on November 6, 2007 (see section 1.14) and 92,500 shares issued upon the exercise of stock options. Total share issuance costs during the year were approximately \$0.6 million, including \$0.2 million in cash share issuance

costs and \$0.4 million in non-cash costs. As described in section 1.14, during February 2008, with an effective date of December 31, 2007, the Company renounced the qualifying Canadian exploration expenditures to investors. The renunciation resulted in the recognition of a future tax liability of \$1.9 million, which has been recorded as a reduction of share capital on the balance sheet. The future tax liability has been reduced by a recovery of future tax assets of the Company, previously subject to a full valuation allowance, in the amount of \$1.0 million. During the year ended October 31, 2008, the Company accrued Part XII.6 tax associated with the flow-through shares of \$0.1 million.

The Company requires additional funding to continue its exploration programs and in light of the current market conditions, management has implemented significant cost reduction strategies to reduce the Company's day to day operating costs and ensure the Company endures through these difficult market conditions. The Company's objective is to maintain legal title to its material mineral properties with established mineral resources. Subsequent to October 31, 2008, the Company has temporarily suspended its exploration activities. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there is no assurance that these initiatives will be successful or sufficient and there remains some uncertainty as to the ability of the Company to continue operating as a going concern. Failure to continue to operate as a going concern could result in the loss of its interest in its resource properties and/or the infinite suspension of its exploration activities. The Company's financial statements and management's discussion and analysis do not reflect adjustments to the carrying values of assets and liabilities that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

### **1.7 Off-Balance Sheet Arrangements**

At October 31, 2008, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

### **1.8 Evaluation of Disclosure Controls**

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of October 31, 2008. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109, *Certification of Disclosure in Issuer's Annual and Interim Filings*, are designed effectively to ensure that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized, and reported within the time period specified in those rules.

During the process of review and evaluation, it was determined that the Company's disclosure controls and procedures were operating effectively as at October 31, 2008.

### **1.9 Design of Internal Controls**

The Company evaluated the design of its internal controls and procedures over financial reporting, as defined under Multilateral Instrument 52-109, for the year ended October 31, 2008. This evaluation was performed by the Chief Executive Officer and the Chief Financial Officer, with the assistance of other corporate personnel to the extent necessary or appropriate. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design of these internal controls and procedures over financial reporting was effective.

The Company has very limited administrative staffing and in many instances, the implementation of internal controls relying on segregation of duties is not possible. The Company relies on senior management review and approval to ensure that the controls are as effective as possible.

### **1.10 Critical Accounting Estimates**

Critical accounting estimates used in the preparation of the consolidated financial statements include the value of stock-based compensation and the Company's estimate of recoverable value of its mineral properties and related deferred

expenditures. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The factors affecting stock-based compensation include estimates of when stock options might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend upon a variety of factors, including the market value of the Company's shares and the financial objectives of the stock-based instrument holders.

The Company's recoverability of the recorded value of its mineral properties and associated deferred expenses is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is dependent on a number of factors, including environmental, legal and political risks, the existence of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete the development and future profitable production or the proceeds of disposition thereof.

### **1.11 Transactions with Related Parties**

There were no transactions with related parties during the year ended October 31, 2008.

### **1.12 Changes in Accounting Policies**

Effective November 1, 2007, the Company adopted the following new accounting standards issued by the Accounting Standards Board: (i) Section 1535 - Capital Disclosures; (ii) Section 3862 - Financial Instruments - Disclosures; and (iii) Section 3863 - Financial Instruments – Presentation.

Section 1535 - Capital Disclosures establishes disclosure requirements about an entity's capital and how it is managed to enable users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital.

Section 3862 - Financial Instruments – Disclosures describes the required disclosures related to the significance of financial instruments on the Company's financial position and performance and the nature and extent of risks arising for financial instruments to which the entity is exposed and how the entity manages those risks.

Sections 3863 - Financial Instruments – Presentation establishes standards for presentation of financial instruments and non-financial derivatives.

As required by the transitional provisions, these new standards have been applied without restatement of prior period amounts. The Company has incorporated the new standards into its October 31, 2008 financial statements.

In February 2008, the Canadian Accounting Standards Board announced that accounting standards in Canada are to converge with International Financial Reporting Standards ("IFRS") and companies will begin reporting, with comparative data, under IFRS for fiscal years beginning on or after January 1, 2011. While IFRS is based on a conceptual framework similar to Canadian GAAP, there are significant differences with respect to recognition, measurement and disclosure which the Company is beginning to assess. The Company will commence reporting under the new standards on November 1, 2011. The Company has begun to assess the impact of IFRS on the Company, its information systems and its financial statements.

### **1.13 Risks and Uncertainties**

The Company's financial instruments consist of cash, receivables and accounts payable. Management does not believe these financial instruments expose the Company to any significant interest, currency or credit risks arising from these financial instruments, with the exception of the sales taxes recoverable. Virtually all of the sales taxes recoverable are with a government in a foreign jurisdiction. The fair market values of these financial instruments approximate their carrying values, unless otherwise noted.

The Company's Cobre Grande property is held pursuant to a Purchase Option Agreement, described in section 1.15. The Purchase Option Agreement expires in March 2009 and could require the payment of US\$12.0 million by the Company to acquire the property. The Company is in discussions with the Community of San Baltazar Guelavila, the option holder, with the objective of revising the option terms, but there can be no assurance that the Purchase Option Agreement can be

amended on terms acceptable to the Company. The Company does not have US\$12.0 million available and it is unlikely that the Company could raise US\$12.0 million in light of current market conditions. Accordingly, there is a risk that the Company could lose its interest in the Cobre Grande property.

In conducting its business, the principal risks and uncertainties faced by the Company relate to exploration and development success as well as metal prices and market sentiment to a lesser extent.

Exploration for minerals and development of mining operations involve many risks, many of which are outside the Company's control. In addition to the normal and usual risks of exploration and mining, the Company often works in remote locations that lack the benefit of infrastructure and easy access.

The prices of metals fluctuate widely and are affected by many factors outside of the Company's control. The relative prices of metals and future expectations for such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. The Company relies on equity financing for its long-term working capital requirements and to fund its exploration programs. The Company does not have sufficient funds to put any of its resource interests into production from its own financial resources. There is no assurance that such financing will be available to the Company, or that it will be available on acceptable terms.

#### **1.14 Outstanding Share Data**

##### **a) Common Shares**

The Company has authorized an unlimited number of common shares without par value.

At October 31, 2008 and January 22, 2009, the Company had issued and outstanding 38,000,193 common shares with a recorded value of \$16,926,212.

On November 6, 2007, the Company completed a brokered private placement financing of 3,900,000 flow-through common shares at a price of \$1.80 per flow-through share, for aggregate gross proceeds of \$7,020,000. In connection with the financing, the Company incurred total issue costs of \$606,259, comprised of an agents' commission of \$386,100, representing 5.5% of the gross proceeds, legal and other fees of \$105,499 and the issuance of 234,000 agents' compensation options to purchase 234,000 common shares, exercisable at \$1.80 per compensation option until May 6, 2009 and valued at \$114,660. A portion of the agents' commission was paid through the issuance of 147,841 non flow-through common shares valued at \$266,114.

The Company was required to spend funds raised through the issuance of flow-through shares on qualified Canadian mineral exploration expenditures, as defined by Canadian income tax legislation, prior to December 31, 2008. This requirement was met by the Company subsequent to year-end and prior to the required date of December 31, 2008.

The Company has accounted for the future income tax liability associated with the issuance of flow-through shares consistent with the consensus reached in the CICA's Emerging Issues Committee Abstract - 146, which suggests that future tax liabilities associated should be recognized as a reduction of shareholders' equity at the time the Company files the renouncement documents with the tax authorities. During February 2008, with an effective date of December 31, 2007, the Company renounced the qualifying Canadian exploration expenditures to investors. The renunciation resulted in the recognition of a future tax liability of \$1.9 million, which has been recorded as a reduction of share capital on the balance sheet. The future tax liability has been reduced by a recovery of future tax assets of the Company, previously subject to a full valuation allowance, in the amount of \$1.0 million. During the year ended October 31, 2008, the Company accrued Part XII.6 tax associated with the flow-through shares of \$0.1 million.

##### **b) Warrants**

At October 31, 2008, the Company had 5,026,000 warrants outstanding with a value of \$1,944,336, with each warrant entitling the holder to purchase a common share at an average exercise price of \$1.81 per share, expiring not later than February 22, 2009.

At January 22, 2009, the Company had 3,392,500 warrants outstanding with a value of \$1,562,185, with each warrant entitling the holder to purchase a common share at an average exercise price of \$2.20 per share, expiring February 22, 2009.

c) Stock Options

At October 31, 2008 Company had 3,152,500 stock options outstanding, exercisable into common shares of the Company at an average exercise price of \$1.06 per share, expiring between August 29, 2009 and May 16, 2013.

At January 22, 2009, the Company had 3,097,500 stock options outstanding, exercisable into common shares of the Company at an average exercise price of \$1.07 per share, expiring between August 29, 2009 and March 25, 2013.

d) Agent Options

At October 31, 2008 and January 22, 2009, as noted in section 1.14 a), the Company had 234,000 agent options outstanding, exercisable into common shares of the Company at an exercise price of \$1.80 per share, expiring May 6, 2009.

### **1.15 Deferred Resource Property Expenditures**

Details of the Company's Deferred Resource Property Expenditures during the years ended October 31, 2008 and 2007 are included in Schedule "A".

During the year ended October 31, 2008, the Company incurred deferred exploration expenditures of \$10.3 million, 31% of which were incurred in Mexico. A total of 90% of the exploration expenditures incurred in Mexico were incurred on the Cobre Grande Project. The Company incurred \$6.7 million, or 65% of its total net exploration expenditures, on the KM61 Project in Ontario, Canada. Net geology and drilling expenditures on all properties totalled approximately \$8.9 million, representing 86% of the total resource property expenditures incurred during the year.

During the final quarter of fiscal 2008, the Company incurred \$2.1 million in deferred exploration expenditures, of which \$0.4 million, or 21%, was incurred in Mexico and \$1.7 million, or 79%, was incurred in Canada, primarily on the Company's KM61 project, where \$1.5 million in total expenditures were incurred. During the three-month period ended October 31, 2008, \$1.7 million was spent on drilling and geology expenditures, with \$0.3 million incurred at the Cobre Grande Project and \$1.3 million at KM61.

As of the date of this report, the Company has temporarily suspended its exploration activities and expects to resume activity when market conditions allow the Company to obtain additional funding. The Company's objective is to maintain legal title to its material mineral properties, but cannot guarantee that adequate financing will be available in the future to continue its exploration programs.

### **Cobre Grande**

For the year ended October 31, 2008, the Company incurred total costs of \$2.9 million at Cobre Grande, including drilling costs of \$1.6 million. During the year ended October 31, 2008, the Company has drilled a total of 33 holes and approximately 8,500 metres of drilling at Cobre Grande.

In May 2008, an independent 43-101 compliant Inferred Mineral Resource Estimate for the Main Zone of the Cobre Grande Project was completed. The 49.8 million tonnes of 0.92% Copper Equivalent Inferred Mineral Resource includes in-situ metal quantities of 545 million pounds of copper, 44 million pounds of molybdenum, 243 million pounds of zinc, and 21 million ounces of silver.

In addition to the 43-101 compliant Inferred Mineral Resource Estimate for the Main Zone, the second hole in the El Oso Zone (previously referred to as the Northwest Skarn), Hole CG-68, located 600 metres east of the north end of the Main Zone, returned 228 metres of 0.91% copper equivalent starting at 29 metres, representing a new discovery. Drilling in the final half of the year extended the mineralization beyond the limit of the resource encompassed by the 43-101 resource, taking the full strike of the Main Zone to 1,600 metres.

The Company can earn up to a 100% interest in the Cobre Grande Purchase Option Agreement. A payment of US\$90,000 was made in March 2008 and a final payment of US\$90,000 will be required in March 2009 in order for the Company to earn an 80% interest in the Cobre Grande Purchase Option (the "Purchase Option"). The Purchase Option, expiring in March 2009, entitles the holders to acquire the property from the Community of San Baltazar Guelavila (the "Community"), the underlying owner of the concessions. The final purchase payment will be determined by the Community, which can choose between a US \$12.0 million buyout, a 2% net smelter return ("NSR") royalty, or a 15% carried joint venture interest

in any future mining projects from the concession. The Company can also acquire the remaining 20% interest in the Purchase Option Agreement, from Linear Gold, at any time prior to December 31, 2012, for US\$1.2 million.

## **KM61**

For the year ended October 31, 2008, the Company incurred total costs of \$6.7 million, including drilling costs of \$5.1 million, at its 100%-owned KM61 molybdenum project located near Armstrong, Ontario. Subsequent to October 31, 2008, in November 2008, the Company completed the drill program that was initiated during the first quarter of fiscal 2008, having completed approximately 30,000 metres of drilling in a total of 86 holes.

In December 2008, an independent 43-101 Mineral Resource Estimate for the Main Zone at KM61 was completed, with an indicated resource of 66.6 million tonnes at 0.063% molybdenum equivalent and an inferred resource of 38.9 million tonnes at 0.065% molybdenum equivalent.

The Company holds a 100% interest in the property, subject to a 0.5% NSR over the majority of the property, with the balance subject to a 3% NSR. The Company can repurchase 50% of the 0.5% NSR for \$250,000 and/or 50% of the 3% NSR for \$1,000,000.

## **Other**

In February 2008, the Company acquired the right to earn up to a 100% interest in the Bateman property, located 50 kilometres west of Thunder Bay, Ontario, Canada, pursuant to an option agreement with an initial payment of \$10,000. The Company can acquire up to a 100% interest in the property by incurring expenditures of \$200,000 and making payment aggregating \$70,000 over a three year period, subject to a 2.0% net smelter royalty.

In December 2007, the Company acquired the right to earn up to a 100% interest in the Stenlund property, located approximately 100 kilometres north of Thunder Bay, Ontario, Canada, pursuant to an option agreement with an initial payment of \$15,000 and reimbursement of additional staking costs totalling \$5,083. During the final quarter of fiscal 2008, the Company decided to terminate its interest in the Stenlund Property, resulting in a write-down of resource properties of \$126,800.

In April 2008, the Company acquired the right to earn up to a 100% interest in the La Trinidad Project, located in Baja California Sur, Mexico, pursuant to an option agreement with an initial payment of US\$20,000. During the final quarter of fiscal 2008, the Company decided to terminate its interests in the La Trinidad Project, resulting in a cumulative write-down of resource properties of \$186,210.

During second quarter of fiscal 2008, the Company decided to terminate its option to earn an interest in the Ecatepec Project based on the results of an initial 10-hole, 1,200-metre reverse circulation drill program undertaken to test drill targets based on induced polarization and outcropping mineralization, resulting in a write-down of resource properties of \$751,313.

### **1.16 Management Changes**

During 2008, the Company announced the appointments of Mr. Brian MacEachen as President and Chief Executive Officer and Mr. Keith Abriel as Vice-President and Chief Financial Officer of the Company. Mr. MacEachen had served as the Vice-President and Chief Financial Officer of Linear Gold Corp. and the Company since January 2004 and June 2006, respectively, and is an experienced mining executive with over 18 years of industry experience. Mr. Abriel is a Chartered Accountant and CFA Charter holder who brings over 13 years of financial experience in a broad range of sectors to the Company.

In March 2008, the Company announced the appointment of Dr. James W. Gill to the Board of Directors. Dr. Gill founded Aur Resources Inc., a Canadian-based international mining company, in 1981 and served as the President and Chief Executive Officer of Aur until August 2007 when Aur was acquired by Teck-Cominco Limited.

In December 2008, as part of an overall cost reduction strategy, the Company and Dr. Robert Page, the Company's Vice-President - Exploration, reached an agreement through which Dr. Page will continue to provide his services to the Company through a consulting agreement, rather than as a full-time employee.

### **1.17 Other Information**

Additional information regarding the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**LINEAR METALS CORPORATION**

 Schedule of Resource Properties  
 for the year ended October 31, 2008

Schedule "A"

**Details of Resource Properties**

	Cobre Grande Mexico	La Morena Mexico	Ecatepec Mexico	Mexico Other	KM61	Seymour Lake and Other	Total 2008	Total 2007
<b>Mineral Properties</b>								
Balance, beginning of year	\$ 102,989	\$ 203,241	\$ 123,140	\$ -	\$ 22,297	\$ 59,107	\$ 510,774	\$ 260,864
Expenditures during year	62,952	1,410	22,261	25,784	143	40,452	153,002	284,371
Costs written off	-	-	(145,401)	(25,784)	-	(40,452)	(211,637)	-
Balance, end of year	<u>165,941</u>	<u>204,651</u>	<u>-</u>	<u>-</u>	<u>22,440</u>	<u>59,107</u>	<u>452,139</u>	<u>545,235</u>
<b>Deferred Exploration expenditures:</b>								
Drilling	1,563,521	-	159,751	-	5,131,353	1,227	6,855,852	2,779,365
Geochemistry	5,612	-	-	-	39,084	76,237	120,933	21,039
Geology	779,972	1,824	43,010	24,711	1,083,053	114,664	2,047,234	984,251
Geophysics	-	-	-	-	166,555	52,854	219,409	346,600
Property evaluation	214,968	4,143	29,802	11,414	45	3,082	263,454	320,980
Road Construction	146,988	-	1,923	1,837	13,249	-	163,997	102,365
Supervision	99,632	2,505	25,781	(16,437)	87,603	22,558	221,642	365,189
Surveying	-	-	-	-	-	-	-	22,001
Trenching	32,000	-	-	-	191,481	66,147	289,628	77,059
	<u>2,842,693</u>	<u>8,472</u>	<u>260,267</u>	<u>21,525</u>	<u>6,712,423</u>	<u>336,769</u>	<u>10,182,149</u>	<u>5,018,849</u>
Balance, beginning of year	<u>3,528,462</u>	<u>849,259</u>	<u>345,645</u>	<u>138,901</u>	<u>1,145,494</u>	<u>519,880</u>	<u>6,527,641</u>	<u>1,581,490</u>
	<u>6,371,155</u>	<u>857,731</u>	<u>605,912</u>	<u>160,426</u>	<u>7,857,917</u>	<u>856,649</u>	<u>16,709,790</u>	<u>6,600,339</u>
Costs written off	-	-	(605,912)	(160,426)	-	(86,348)	(852,686)	(107,159)
Balance, end of year	<u>6,371,155</u>	<u>857,731</u>	<u>-</u>	<u>-</u>	<u>7,857,917</u>	<u>770,301</u>	<u>15,857,104</u>	<u>6,493,180</u>
<b>Mineral properties and deferred exploration expenditures</b>	<u><u>6,537,096</u></u>	<u><u>1,062,382</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>7,880,357</u></u>	<u><u>829,408</u></u>	<u><u>16,309,243</u></u>	<u><u>7,038,415</u></u>