

LINEAR METALS CORPORATION
Consolidated Financial Statements
(unaudited – Prepared by Management)
April 30, 2007

In accordance with National Instrument 51-102, released by the Canadian Securities Administrators, Linear Metals Corporation discloses that its auditors have not reviewed the unaudited financial statements for the period ended April 30, 2007.

Linear Metals Corporation
(unaudited - Prepared by Management)
Consolidated Balance Sheets
As at the periods ended

ASSETS	April 30 2007 \$	October 31 2006 \$
CURRENT ASSETS		
Cash and cash equivalents	10,138,479	130,119
Sales taxes recoverable	356,459	173,671
Deposits	-	833
	10,494,938	304,623
PROPERTY, PLANT AND EQUIPMENT	51,726	576
RESOURCE PROPERTIES	3,712,641	1,842,354
	14,259,305	2,147,553
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	715,738	235,818
Advance from Linear Gold Corp.	-	54,327
	715,738	290,145
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 4)	12,015,157	1,985,856
WARRANTS (note 5)	1,948,461	-
CONTRIBUTED SURPLUS	226,946	120,413
ACCUMULATED OTHER COMPREHENSIVE LOSS	-	-
DEFICIT	(646,997)	(248,861)
	13,543,567	1,857,408
	14,259,305	2,147,553

The accompanying notes form an integral part of these financial statements.

Approved by the Board of Directors

(s) *Wade K. Dawe*
Wade K. Dawe

(s) *Michael Gross*
Michael Gross

Linear Metals Corporation
Statements of Loss and Deficit
(unaudited - Prepared by Management)

	For the Three Months Ended April 30		For the Six Months Ended April 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
INCOME				
Interest	82,265	-	100,563	-
	<u>82,265</u>	<u>-</u>	<u>100,563</u>	<u>-</u>
EXPENSES				
Amortization	176	-	230	-
Office and administrative	6,914	650	8,194	693
Investor relations and marketing	53,259	-	64,418	-
Listing and regulatory costs	18,958	32,500	51,464	32,500
Management salaries and services	164,346	-	209,075	-
Professional services	11,938	63,793	20,288	63,793
Stock-based compensation	16,648	-	61,718	-
Travel	36,687	-	36,816	-
	<u>308,926</u>	<u>96,943</u>	<u>452,203</u>	<u>96,986</u>
LOSS FROM OPERATIONS	(226,661)	(96,943)	(351,640)	(96,986)
OTHER INCOME (EXPENSES)				
Foreign exchange	(25,226)	3,700	(46,496)	3,700
	<u>(25,226)</u>	<u>3,700</u>	<u>(46,496)</u>	<u>3,700</u>
NET LOSS	(251,887)	(93,243)	(398,136)	(93,286)
DEFICIT, beginning of period	(395,110)	-	(248,861)	-
DEFICIT, end of period	<u>\$ (646,997)</u>	<u>\$ (93,243)</u>	<u>\$ (646,997)</u>	<u>\$ (93,286)</u>
LOSS PER SHARE - BASIC and FULLY DILUTED	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>	<u>\$ (0.01)</u>	<u>\$ (0.10)</u>
Weighted Average Number of Common Shares Outstanding	32,348,256	1,869,156	29,842,945	919,088

The accompanying notes form an integral part of these consolidated financial statements.

Linear Metals Corporation
Cash Flow Statements
(unaudited - Prepared by Management)

	For the Three Months Ended April 30		For the Six Months Ended April 30	
	2007 \$	2006 \$	2007 \$	2006 \$
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Net loss for the period	(251,887)	(93,243)	(398,136)	(93,286)
Charges to operations not involving cash				
Amortization	176	-	230	-
Stock-based compensation	16,648	-	61,718	-
	<u>(235,063)</u>	<u>(93,243)</u>	<u>(336,188)</u>	<u>(93,286)</u>
Net change in non-cash working capital balances related to operations				
Increase in accounts receivable	-	(6,427)	-	(6,427)
Increase in sales taxes recoverable	(16,566)	-	(23,418)	-
Decrease in deposits	-	-	833	-
Increase in accounts payable and accrued liabilities	86,998	96,823	153,345	96,823
Increase in amounts due to related parties	-	218,688	-	218,688
	<u>(164,631)</u>	<u>215,841</u>	<u>(205,428)</u>	<u>215,798</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES				
Advances from Linear Gold Corp.	-	-	(54,327)	-
Common shares issued for cash, net of issuance costs	8,126,889	675,000	10,263,913	675,000
Warrants issued for cash, net of issuance costs	1,302,573	-	1,713,849	-
	<u>9,429,462</u>	<u>675,000</u>	<u>11,923,435</u>	<u>675,000</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES				
Resource property interests and options, net	(953,457)	(700,433)	(1,498,897)	(700,433)
Sales taxes recoverable related to resource property interests	(80,194)	(101,506)	(159,370)	(101,506)
Purchases of equipment	(48,639)	-	(51,380)	-
	<u>(1,082,290)</u>	<u>(801,939)</u>	<u>(1,709,647)</u>	<u>(801,939)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,182,541	88,902	10,008,360	88,859
CASH AND CASH EQUIVALENTS, beginning of period	1,955,938	220	130,119	263
CASH AND CASH EQUIVALENTS, end of period	<u>10,138,479</u>	<u>89,122</u>	<u>10,138,479</u>	<u>89,122</u>
NON-CASH FINANCING ACTIVITIES				
Common shares issued as cost of financing	-	-	77,438	-
Warrants issued as cost of financing	-	-	15,487	-
Broker warrants issued as cost of financing	301,875	-	301,875	-

The accompanying notes form an integral part of these financial statements.

Linear Metals Corporation
Statements of Comprehensive Loss
(unaudited - Prepared by Management)

	For the Three Months Ended April 30		For the Six Months Ended April 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
Net loss for the period	251,887	93,243	398,136	93,286
Other Comprehensive loss (income)	-	-	-	-
Comprehensive loss for the period	<u>251,887</u>	<u>93,243</u>	<u>398,136</u>	<u>93,286</u>

The accompanying notes form an integral part of these consolidated financial statements.

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1. Incorporation and nature of operations

Linear Metals Corporation (the “Corporation”) was incorporated under the Canada Business Corporations Act on November 17, 2004. The Corporation is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for resources properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, the ability of the company to obtain necessary financing and permits to complete the development, and future profitable production or proceeds from the disposition thereof.

2. Accounting policies

These unaudited interim consolidated financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Accordingly, certain information and note disclosure normally included in annual consolidated financial statements have been condensed or omitted. Except for the changes in accounting policies described in Note 3, these interim consolidated financial statements are based on accounting principles and practices consistent with those used in the preparation of the Corporation’s annual consolidated financial statements. These interim consolidated financial statements should be read together with the Corporation’s October 31, 2006 audited consolidated financial statements and the accompanying notes.

3. Changes in Accounting Policies

On November 1, 2006, the Corporation adopted, on a prospective basis, two new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants in January 2005.

Section 3855 – Financial Instruments – Recognition and Measurement

In accordance with this new standard for recognition and measurement of all financial instruments, the Corporation now classifies all financial instruments as held-to-maturity, available-for-sale, held for trading, or as loans and receivables. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value, with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value, with unrealized gains and losses recognized on the statement of loss and deficit.

Section 1530 – Comprehensive Income

Comprehensive income is the change in shareholders’ equity during a period from transactions and other events and circumstances from non-owner sources. In accordance with this new standard, the Corporation reports a consolidated statement of comprehensive loss. The components of this

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statement will include unrealized gains and losses on financial instruments classified as available-for-sale.

4. Capital Stock

a) Common Shares

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

The following is a summary of common share capital activity during the three and six-month periods ending April 30, 2007:

	3-months ended April 30, 2007		6-months ended April 30, 2007	
	Number	Amount	Number	Amount
Balance outstanding - beginning of period	27,931,402	4,122,881	24,307,502	1,985,856
Shares Issued (see note 4(b)):				
Shares issued for cash	5,750,000	8,653,750	9,250,000	10,856,738
Shares issued as finder's compensation for financing	-	-	123,900	77,438
Shares issued on exercise of warrants	100,000	100,000	100,000	100,000
Fair value of warrants exercised	-	25,000	-	25,000
Less: Share issue costs	-	(886,474)	-	(1,029,875)
Balance outstanding - end of period	<u>33,781,402</u>	<u>12,015,157</u>	<u>33,781,402</u>	<u>12,015,157</u>

b) Private Placement Financings

On November 10, 2006, the Corporation completed a non-brokered private placement of 3,500,000 Units at a price of \$0.75 per Unit, for gross proceeds of \$2,625,000. Each Unit consisted of one common share and one-half warrant, and each whole warrant entitles the holder to purchase an additional common share at a price of \$1.00 per share until November 10, 2008. The Corporation paid total issue costs of \$169,625 in connection with the financing, including finders fees of \$157,500, comprised of \$64,575 cash and 123,900 Units valued at \$92,925, as well as professional fees of \$12,125. The gross proceeds of the private placement allocated to the common shares was \$2,202,988, net of share issuance costs of \$143,401, comprised of \$55,535 cash, 123,900 common shares valued at \$77,438 and professional fees of \$10,428. The gross proceeds of the private placement allocated to the warrants was \$422,013, net of issuance costs of \$26,224, comprised of \$9,040 cash, 61,950 warrants valued at \$15,487 and professional fees of \$1,697.

The Corporation completed a brokered private placement on February 22, 2007 of 5,750,000 Units at a price of \$1.75 per Unit, for total gross proceeds of \$10,062,500. Each Unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire a common share at a price of \$2.25 per share for a period of 24 months until

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February 22, 2009. The value of the financing allocated to the common shares was \$8,653,750, and the value allocated to the warrants was \$1,408,750. Costs associated with the financing totaled \$1,034,914 and included a cash commission paid to the underwriters of \$603,750 and \$129,289 in additional costs, including legal and regulatory fees. In addition, the underwriters were granted broker warrants exercisable for 345,000 Units of the Corporation at an exercise price of \$1.75 per Unit, which were valued at \$301,875 (see note 5(a)). The Corporation allocated a total of \$886,474 to the cost of issuing common shares and \$148,440 to the cost of issuing the warrants.

c) Stock Options

The following is a summary of stock option activity during the three and six-month periods ending April 30, 2007:

	3-months ended April 30, 2007			6-months ended April 30, 2007		
	Number	Weighted average exercise price (\$)	Weighted average fair value (\$)	Number	Weighted average exercise price (\$)	Weighted average fair value (\$)
Outstanding, beginning of period	2,290,000	0.76	0.32	1,970,000	0.60	0.25
Granted	627,500	1.67	0.49	957,500	1.69	0.58
Exercised	-	-	-	-	-	-
Expired/cancelled	(200,000)	0.60	0.25	(210,000)	0.60	0.25
Outstanding, end of period	<u>2,717,500</u>	<u>0.98</u>	<u>0.37</u>	<u>2,717,500</u>	<u>0.98</u>	<u>0.37</u>

As at April 30, 2007, the Corporation has outstanding stock options entitling the holders to acquire additional common shares as follows:

Weighted average exercise price per share	Number outstanding	Expiry Date	Number exercisable
0.60	1,760,000	August 29, 2009	-
1.50	107,500	April 16, 2010	-
1.60	80,000	January 15, 2010	-
1.60	150,000	March 1, 2010	-
1.75	250,000	January 22, 2010	-
1.75	370,000	March 28, 2010	-
<u>0.98</u>	<u>2,717,500</u>		<u>-</u>

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5. Warrants

a) Warrant activity during the three and six-month periods ended April 30, 2007 was as follows:

	3-months ended April 30, 2007			6-months ended April 30, 2007		
	Number	Weighted average exercise price (\$)	Fair Value* (\$)	Number	Weighted average exercise price (\$)	Fair Value* (\$)
Opening Balance	1,811,950	1.00	411,276	-	-	-
Issued for cash (see note 4(b))	2,875,000	2.25	1,408,750	4,625,000	1.78	1,830,763
Issued as broker warrants	517,500	1.92	301,875	579,450	1.82	317,362
Exercised	(100,000)	1.00	(25,000)	(100,000)	1.00	(25,000)
Expired	-	-	-	-	-	-
Less: Issue costs	-	-	(148,440)	-	-	(174,664)
Ending Balance	<u>5,104,450</u>	<u>1.80</u>	<u>1,948,461</u>	<u>5,104,450</u>	<u>1.80</u>	<u>1,948,461</u>

* Black-Scholes valuation

In connection with the private placement financings completed in November 2006 and February 2007 (see note 4(b)), the Corporation issued 4,625,000 warrants to shareholders and 579,450 warrants and broker warrants as part of the cost of the financings. As an additional cost of the February 22, 2007 financing, the Corporation granted 345,000 broker warrants to the underwriters, exercisable for an aggregate of 345,000 Units of the Corporation at an exercise price of \$1.75 per Unit until February 22, 2009. When exercised, the Units will consist of 345,000 common shares and 172,500 warrants exercisable at \$2.25 per warrant.

b) The fair value of warrants has been estimated at the grant date using the Black-Scholes pricing model. The weighted-average assumptions used in the pricing model are as follows:

Risk-free rate	4.07%
Expected volatility of the Company's share price	65%
Expected life of each warrant	2.0 years
Fair value per warrant at the date of grant	\$ 0.42

6. Subsequent Events

In May 2007, the Company granted 300,000 stock options to an officer. The options are exercisable at a price of \$1.55 per common share and expire on May 14, 2010.

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7. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current period's presentation.