

LINEAR METALS CORPORATION
Consolidated Financial Statements
(unaudited - Prepared by Management)
January 31, 2009

In accordance with National Instrument 51-102, released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended January 31, 2009.

LINEAR METALS CORPORATION
Consolidated Balance Sheets
(unaudited - Prepared by Management)

(expressed in Canadian dollars)

	January 31 2009	October 31 2008
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	445,705	1,020,506
Accounts receivable	3,390	4,802
Sales taxes recoverable	729,332	939,848
Prepaid expenses and deposits	32,623	24,150
	<u>1,211,050</u>	<u>1,989,306</u>
Property and Equipment	118,812	133,350
Resource Properties (note 6)	16,717,190	16,309,243
	<u>18,047,052</u>	<u>18,431,899</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accruals	372,827	450,761
Future Income Taxes (note 7)	876,000	944,000
	<u>1,248,827</u>	<u>1,394,761</u>
SHAREHOLDERS' EQUITY		
Capital Stock (note 7)	16,926,212	16,926,212
Warrants (note 8)	1,562,185	1,944,336
Contributed Surplus	1,517,323	1,012,127
Deficit	(3,207,495)	(2,845,537)
	<u>16,798,225</u>	<u>17,037,138</u>
	<u>18,047,052</u>	<u>18,431,899</u>

Nature of operations and going concern (note 1)

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

Approved on behalf of the Board of Directors

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

(s) *Michael Gross*
Michael Gross

LINEAR METALS CORPORATION
Consolidated Statements of Operations and Deficit
(unaudited - Prepared by Management)

(expressed in Canadian dollars)

	For the Three-Months Ended January 31	
	2009	2008
	\$	\$
INCOME		
Interest	6,138	131,554
	<u>6,138</u>	<u>131,554</u>
EXPENSES		
Amortization	5,342	6,462
Banking fees	356	222
General and administrative	31,098	31,355
Investor relations and marketing	198	29,892
Listing and regulatory costs	16,717	13,842
Management salaries and services	83,895	133,449
Professional services	14,384	10,516
Stock-based compensation	79,048	5,740
Travel	2,458	19,820
	<u>233,496</u>	<u>251,298</u>
LOSS FROM OPERATIONS	(227,358)	(119,744)
OTHER INCOME (EXPENSES)		
Foreign exchange	(63,281)	3,586
Loss on disposal of equipment	(1,629)	-
Write-down of resource properties	(137,690)	-
	<u>(202,599)</u>	<u>-</u>
NET LOSS BEFORE INCOME TAXES	<u>(429,958)</u>	<u>(116,158)</u>
RECOVERY OF FUTURE INCOME TAXES (note 7)	(68,000)	-
	<u>(68,000)</u>	<u>-</u>
NET INCOME (LOSS)	(361,958)	(116,158)
DEFICIT , beginning of period	(2,845,537)	(1,360,566)
DEFICIT , end of period	<u>(3,207,495)</u>	<u>\$ (1,476,724)</u>
EARNINGS (LOSS) PER SHARE - BASIC	\$ (0.01)	\$ (0.00)
Weighted Average Number of Common Shares		
Basic	38,000,193	37,687,702

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

LINEAR METALS CORPORATION
Consolidated Statements of Cash Flow
(unaudited - Prepared by Management)

(expressed in Canadian dollars)

	For the Three-Months Ended January 31	
	2009	2008
	\$	\$
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net income (loss) for the period	(361,958)	(116,158)
Charges to operations not involving cash		
Amortization	5,342	6,462
Stock-based compensation	79,048	5,740
Loss on disposal of equipment	1,629	-
Foreign exchange	63,281	(3,586)
Write down of resource properties	137,690	-
Recovery of future income taxes	(68,000)	-
	<u>(142,968)</u>	<u>(107,542)</u>
Net change in non-cash working capital related to operations		
Decrease (increase) in accounts receivable	1,412	-
Decrease (increase) in sales taxes recoverable	149,497	41,941
Decrease (increase) in prepaid expenses and deposits	(8,473)	(38,329)
Increase (decrease) in accounts payable and accruals	22,087	(31,205)
	<u>21,555</u>	<u>(135,135)</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Common shares issued for cash, net of issuance costs	-	6,828,278
	<u>-</u>	<u>6,828,278</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Resource property interests and options, net	(597,094)	(2,472,967)
Sales taxes recoverable related to resource property interests	(2,262)	14,249
Purchases of equipment	-	(36,244)
Proceeds on disposal of equipment	3,000	-
	<u>(596,356)</u>	<u>(2,494,962)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(574,801)	4,198,181
CASH AND CASH EQUIVALENTS, beginning of period	<u>1,020,506</u>	<u>6,124,772</u>
CASH AND CASH EQUIVALENTS, end of period	<u><u>445,705</u></u>	<u><u>10,322,953</u></u>
NON-CASH FINANCING ACTIVITIES		
Common shares issued as cost of financing	-	266,114
Agent's options issued as cost of financing	-	114,660

LINEAR METALS CORPORATION
Consolidated Statements of Comprehensive Income (Loss)
(unaudited - Prepared by Management)

(expressed in Canadian dollars)

	For the Three Months Ended January 31	
	2009	2008
	\$	\$
Net income (loss) for the period	(361,958)	(116,158)
Other comprehensive loss (income)	<u>-</u>	<u>-</u>
Comprehensive loss for the period	<u><u>(361,958)</u></u>	<u><u>(116,158)</u></u>

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

LINEAR METALS CORPORATION
Notes to Consolidated Financial Statements
(unaudited – Prepared by Management)
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1. Nature of Operations and going concern

Linear Metals Corporation (the “Company”) is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. To date, the Company has not earned significant revenues and is considered to be a development stage company. The recoverability of the amounts shown for resource properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, obtaining necessary financing and permitting to complete the development, and future profitable production or proceeds from the disposition thereof.

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due. For the period ended January 31, 2009, the Company incurred a loss of approximately \$0.4 million (year-ended October 31, 2008 - \$1.5 million) and as at January 31, 2009 had an accumulated deficit of approximately \$3.2 million (year-ended October 31, 2008 - \$2.8 million). The Company has no income or cash flow from operations and at January 31, 2009 had working capital of approximately \$0.8 million (year-ended October 31, 2008 - \$1.5 million). In addition to its working capital requirements, the Company must secure sufficient funding to maintain legal title to its resource properties, to fund its exploration and development activities and to fund its general and administrative costs. Such circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

Management is evaluating alternatives to secure additional financing and has significantly reduced expenditure levels 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.

The Company’s ability to continue as a going concern is dependent upon its ability to fund its working capital and exploration requirements and eventually to generate positive cash flows, either from operations or sale of properties. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. Accounting Policies

These unaudited interim consolidated financial statements of the Company 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. These interim consolidated financial statements are

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based on accounting principles and practices consistent with those used in the preparation of the Company's annual consolidated financial statements. These interim consolidated financial statements should be read together with the Company's October 31, 2008 audited consolidated financial statements and the accompanying notes.

3. Changes in Accounting Policies

Effective November 1, 2008, the Company adopted the provisions of Section 1400 - *General Standards of Financial Statement Presentation*, which requires management to assess and disclose an entity's ability to continue as a going concern in both interim and annual 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.

4. Financial Instruments

The Company recognizes financial instruments based on their classification. Depending on the financial instruments' classification, changes in subsequent measurements are recognized in net income or comprehensive income.

If a financial instrument is measured at fair value, changes in its fair value shall usually be recognized in the period in which the change occurs, with some exceptions, such as for cash flow hedges and available-for-sale investments. For investments designated as being available-for-sale, changes in the fair value shall be recorded directly in Shareholders' Equity in a separate account called "Accumulated Other Comprehensive Income (Loss)" until the asset disappears or is impaired. At that time, the gains and losses are transferred to the Statement of Operations.

The Company has implemented the following classifications:

- Cash equivalents are classified as "Financial Assets Held for Trading". These financial assets are marked-to-market through net income at each period end.
- Sales taxes recoverable and accounts receivable are classified as "Loans and Receivables". After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

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- Accounts payable are classified as “Other Financial Liabilities”. After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

a) Fair market value

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of accounts receivable and accounts payable and accrued liabilities approximates their fair value because of the short-term nature of those instruments.

b) Foreign currency rate risk management

A significant portion of the Company’s transactions occur in the United States and Mexican currencies, and accordingly the related financial assets and financial liabilities are subject to fluctuations in the respective exchange rates.

c) Concentration of credit risk

The Company does not believe it is exposed to any significant concentrations of credit risk, with the exception of the sales taxes recoverable. All of the sales taxes recoverable are with either the government of Canada or the government of Mexico.

5. Capital Management

The Company’s capital structure consists of cash and cash equivalents and shareholders’ equity. The Company’s objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financings. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments.

There were no changes to the Company’s approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

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6. Resource Properties

For the period ended January 31, 2009

	<u>January 31, 2009</u>
Canada	
KM61	\$ 8,318,746
Seymour Lake	712,337
Mexico	
Cobre Grande	6,622,231
La Morena	<u>1,063,876</u>
	<u>\$ 16,717,190</u>

a) KM61, Seymour Lake and La Morena

The Company holds a 100% interest in the KM61, Seymour Lake and La Morena properties.

b) Cobre Grande

The Company holds the right to acquire an 80% interest in the 6,238 hectare Cobre Grande polymetallic mineral project, located in Oaxaca, Mexico, by fulfilling the remaining terms of an option agreement initially entered by Linear Gold with the Community of San Baltazar Guelavila (the "Community"). The remaining terms of the purchase option agreement with the Community include payments totaling US\$90,000 due March 13, 2009. If the purchase option is exercised by the Company by March 13, 2009, the Community can choose between a US\$12 million buyout, a 2% net smelter return royalty or a 15% joint venture interest. Linear Gold retains a 20% interest in the agreement, which the Company can purchase, at any time prior to December 31, 2012, for US\$1.2 million. If the Company does not acquire Linear Gold's residual 20% interest, an 80/20 joint venture will be formed and be responsible for the obligations to the Community of San Baltazar Guelavila.

The Company is in negotiations with the Community with the objective of revising the terms of the option agreement, but there can be no assurance that the option agreement can be amended on terms acceptable to the Company. The Company does not have US\$12 million available and it is unlikely that the Company could raise US\$12 million in the current market conditions. Accordingly, there is a risk that the Company could lose its interest in the Cobre Grande property, which would result in a material write-down of all costs associated with the property.

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7. Capital Stock

a) Common Shares

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

The following is a summary of common share capital activity during the three-month period ended January 31, 2009:

	<u>3-months ended January 31, 2009</u>	
	<u>Number</u>	<u>Amount</u>
Balance outstanding - beginning of period	38,000,193	\$ 16,926,212
Shares Issued	-	-
Less: Share issue costs	<u>-</u>	<u>-</u>
Balance outstanding - end of period	<u>38,000,193</u>	<u>\$ 16,926,212</u>

b) Flow-through financing

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. Pursuant to the brokered private placement, the Company was required to spend funds the raised through the issuance of flow-through shares on qualified Canadian exploration expenditures, as defined by Canadian income tax legislation, prior to December 31, 2008. 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 \$1,930,000, which was recorded as a reduction of share capital. The future tax liability has been reduced by a recovery of future tax assets previously subject to a full valuation allowance in the amount of \$1,054,000, of which \$68,000 was recovered during the three-month period ended January 31, 2009.

The Company incurred all required qualifying expenditures prior to December 31, 2008.

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c) Stock Options

The following is a summary of stock option activity during the three-month period ended January 31, 2009:

	3-months ended January 31, 2009	
	Number	Weighted average exercise price
Outstanding, beginning of period	3,152,500	\$ 1.06
Granted	-	-
Exercised	-	-
Cancelled	(55,000)	1.00
Outstanding, end of period	<u>3,097,500</u>	<u>\$ 1.07</u>

As at January 31, 2009, the Company 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	1,110,000	August 29, 2009	721,500
0.85	250,000	March 25, 2013	-
1.00	680,000	January 31, 2013	204,000
1.50	107,500	April 16, 2010	32,250
1.50	200,000	September 1, 2010	60,000
1.50	25,000	September 10, 2010	7,500
1.60	30,000	January 15, 2010	19,500
1.60	150,000	March 1, 2010	45,000
1.75	250,000	January 22, 2010	162,500
1.75	295,000	March 28, 2010	88,500
<u>\$ 1.07</u>	<u>3,097,500</u>		<u>1,340,750</u>

There were no options granted during the three-month period ended January 31, 2009.

d) Agent's Options

As part of the Company's flow-through financing completed on November 6, 2007, the agents were granted compensation options to purchase 234,000 common shares, exercisable at \$1.80 per compensation option until May 6, 2009. The compensation options were valued at \$114,660 and recorded as a share issue cost.

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8. Warrants

Warrant activity during the three-month period ended January 31, 2009 was as follows:

	3-months ended January 31, 2009		
	Number	Weighted average exercise price	Fair Value*
Opening Balance	5,026,000	\$ 1.81	\$ 1,944,336
Expired	(1,633,500)	1.00	(382,151)
Ending Balance	<u>3,392,500</u>	<u>\$ 2.20</u>	<u>\$ 1,562,185</u>

* Black-Scholes valuation

9. Subsequent events

a) Cobre Grande

During March 2009, the Company decided that it will not exercise the Cobre Grande purchase option, as described in Note 6, by March 13, 2009 and, in accordance with the terms of the agreement, will have no further legal right to the property beyond this date. Nevertheless, Linear has advised the Community of its interest in making the final payments and exercising its purchase option, subject to the Community's choice of consideration being acceptable to Linear, or alternatively, in renegotiating the terms of the Option Agreement. Linear has also advised the Community that it does not have US\$12 million and it is unlikely that the Company could raise US\$12 million in the current market. Should the Community decide to discontinue discussions with the Company or pursue the US\$12 million option, the Company expects that it will lose all rights to the Cobre Grande project, resulting in a material write-down of approximately \$6.6 million in costs associated with the property.

b) Warrants

On February 22, 2009, the Company's remaining 3,392,500 warrants expired unexercised.