

LINEAR METALS CORPORATION
Consolidated Financial Statements
(unaudited - Prepared by Management)
January 31, 2008

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, 2008.

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

(expressed in Canadian dollars)

ASSETS	January 31 2008 \$	October 31 2007 \$
CURRENT		
Cash and cash equivalents	10,322,953	6,124,772
Sales taxes recoverable	571,064	623,668
Prepaid expenses and deposits	48,113	9,784
	<u>10,942,130</u>	<u>6,758,224</u>
PROPERTY AND EQUIPMENT	133,095	105,291
RESOURCE PROPERTIES	9,497,375	7,038,415
	<u>20,572,600</u>	<u>13,901,930</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	511,303	587,576
Amount due to Linear Gold Corp.	116,783	131,075
	<u>628,086</u>	<u>718,651</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 3)	18,830,100	12,097,732
WARRANTS (note 4)	1,944,336	1,944,336
CONTRIBUTED SURPLUS	646,802	501,777
DEFICIT	(1,476,724)	(1,360,566)
	<u>19,944,514</u>	<u>13,183,279</u>
	<u>20,572,600</u>	<u>13,901,930</u>

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

(expressed in Canadian dollars)

	For the Three Months Ended January 31	
	2008	2007
	\$	\$
INCOME		
Interest	131,554	18,298
	<u>131,554</u>	<u>18,298</u>
EXPENSES		
Amortization	6,462	54
Banking fees	222	324
General and administrative	31,355	956
Investor relations and marketing	29,892	11,159
Listing and regulatory costs	13,842	32,506
Management salaries and services	133,449	44,729
Professional services	10,516	8,350
Stock-based compensation	5,740	45,070
Travel	19,820	129
	<u>251,298</u>	<u>143,277</u>
LOSS FROM OPERATIONS	(119,744)	(124,979)
OTHER INCOME (EXPENSES)		
Foreign exchange	3,586	(21,270)
	<u>3,586</u>	<u>(21,270)</u>
NET LOSS	(116,158)	(146,249)
DEFICIT, beginning of period	(1,360,566)	(248,861)
DEFICIT, end of period	<u>\$ (1,476,724)</u>	<u>\$ (395,110)</u>
LOSS PER SHARE - BASIC and FULLY DILUTED	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>
Weighted Average Number of Common Shares Outstanding	37,687,702	27,576,890

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

(expressed in Canadian dollars)

	For the Three Months Ended January 31	
	2008	2007
	\$	\$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	(116,158)	(146,249)
Charges to operations not involving cash		
Amortization	6,462	54
Stock-based compensation	5,740	45,070
Gain on foreign exchange	(5,093)	-
	<u>(109,049)</u>	<u>(101,125)</u>
Net change in non-cash working capital balances related to operations		
Decrease (increase) in sales taxes recoverable	41,941	(6,852)
Decrease (increase) in prepaid expenses and deposits	(38,329)	833
Increase (decrease) in accounts payable and accrued liabilities	(66,039)	66,347
	<u>(171,476)</u>	<u>(40,797)</u>
FINANCING ACTIVITIES		
Amount due to Linear Gold Corp.	34,834	(54,327)
Common shares issued for cash, net of issuance costs	6,828,278	2,209,037
Warrants issued for cash, net of issuance costs	-	339,263
	<u>6,863,112</u>	<u>2,493,973</u>
INVESTING ACTIVITIES		
Resource property interests and options, net	(2,472,967)	(545,440)
Sales taxes recoverable related to resource property interests	10,663	(79,176)
Purchases of equipment	(36,244)	(2,741)
	<u>(2,498,548)</u>	<u>(627,357)</u>
Effects of exchange rate changes on cash and cash equivalents	<u>5,093</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,198,181	1,825,819
CASH AND CASH EQUIVALENTS , beginning of period	<u>6,124,772</u>	<u>130,119</u>
CASH AND CASH EQUIVALENTS , end of period	<u><u>10,322,953</u></u>	<u><u>1,955,938</u></u>
NON-CASH FINANCING ACTIVITIES		
Common shares issued as cost of financing (note 3(b))	266,114	80,535
Warrants issued as cost of financing	-	12,390
Agent's options issued as cost of financing (note 3(d))	114,660	-

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

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

(expressed in Canadian dollars)

	For the Three Months Ended January 31	
	2008	2007
	\$	\$
Net loss for the period	(116,158)	(146,249)
Other comprehensive loss (income)	<u>-</u>	<u>-</u>
Comprehensive loss for the period	<u>(116,158)</u>	<u>(146,249)</u>

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

LINEAR METALS CORPORATION
Notes to Consolidated Financial Statements
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1. Incorporation and nature of operations

Linear Metals Corporation (the “Company”) was incorporated under the Canada Business Corporations Act on November 17, 2004. 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.

The Company has no income or cash flow from operations. The Company will periodically have to raise additional funds to complete exploration and development and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future. The recoverability of amounts shown for resources properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, obtaining necessary financing and permits to continue operations, completing development and attaining future profitable production or receiving proceeds from the disposition thereof.

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 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, 2007 audited consolidated financial statements and the accompanying notes.

3. Capital Stock

a) Common Shares

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

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The following is a summary of common share capital activity during the three-month period ending January 31, 2008:

	<u>3-months ended January 31, 2008</u>	
	<u>Number</u>	<u>Amount</u>
Balance outstanding - beginning of period	33,859,852	\$ 12,097,732
Shares Issued (see note 3(b)):		
Shares issued for cash	3,900,000	7,020,000
Shares issued as agent compensation	147,841	266,114
Shares issued on exercise of stock options	75,000	45,000
Fair value of stock options exercised	-	18,750
Less: Share issue costs	-	<u>(617,496)</u>
Balance outstanding - end of period	<u>37,982,693</u>	<u>\$ 18,830,100</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. In connection with the financing, the Company incurred total issue costs of \$617,496, comprised of an agents' commission of \$386,100, representing 5.5% of the gross proceeds, legal and other fees of \$116,736 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 (see note 3(d)). 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 is 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. The gross proceeds received from the flow-through financing, less the qualified expenditures made to date, are being held by the Company for such expenditures. At January 31, 2008, the Company had incurred qualifying expenditures of \$1,048,244.

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c) Stock Options

The following is a summary of stock option activity during the three-month period ending January 31, 2008:

	<u>3-months ended January 31, 2008</u>	
	<u>Number</u>	<u>Weighted average exercise price</u>
Outstanding, beginning of period	3,242,500	\$ 1.07
Granted	730,000	1.00
Exercised	(75,000)	0.60
Expired/cancelled	<u>(625,000)</u>	<u>1.06</u>
Outstanding, end of period	<u><u>3,272,500</u></u>	<u><u>\$ 1.07</u></u>

As at January 31, 2008, the Company has outstanding stock options entitling the holders to acquire additional common shares as follows:

Exercise price	Number outstanding	Expiry date	Number exercisable
\$ 0.60	1,360,000	August 29, 2009	408,000
1.00	730,000	January 31, 2013	-
1.50	107,500	April 16, 2010	-
1.50	200,000	September 1, 2010	-
1.50	75,000	September 10, 2010	-
1.60	30,000	January 15, 2010	9,000
1.60	150,000	March 1, 2010	-
1.75	250,000	January 22, 2010	75,000
1.75	<u>370,000</u>	March 28, 2010	<u>-</u>
<u><u>\$ 1.07</u></u>	<u><u>3,272,500</u></u>		<u><u>492,000</u></u>

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The fair value of stock options 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		3.89%
Expected volatility of the Company's share price		73%
Expected dividend yield		0%
Expected life of each option		2.9 years
Weighted average fair value per option at the date of grant	\$	0.45

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 value of the compensation options is \$114,660 and has been included in share issue costs. The assumptions used in the valuation of the agent's options were as follows:

Risk-free rate		4.17%
Expected volatility of the Company's share price		83%
Expected dividend yield		0%
Expected life of each warrant		1.5 years
Fair value per warrant at the date of grant	\$	0.49

4. **Warrants**

a) Warrant activity during the three-month period ended January 31, 2008 was as follows:

	3-months ended January 31, 2008		
	Number	Weighted average exercise price	Fair Value*
Opening Balance	5,026,000	\$ 1.81	\$ 1,944,336
Issued	-	-	-
Exercised	-	-	-
Ending Balance	<u>5,026,000</u>	<u>\$ 1.81</u>	<u>\$ 1,944,336</u>

* Black-Scholes valuation

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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

5. Comparative Figures

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