

**LINEAR METALS CORPORATION**  
**Consolidated Financial Statements**  
**(unaudited – Prepared by Management)**  
**January 31, 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 January 31, 2007.

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

As at the periods ended

<b>ASSETS</b>	January 31 2007 \$	October 31 2006 \$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,955,938	130,119
Sales taxes recoverable	259,699	173,671
Deposits	-	833
	<u>2,215,637</u>	<u>304,623</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>	3,263	576
<b>RESOURCE PROPERTIES</b>	<u>2,269,227</u>	<u>1,842,354</u>
	<u>4,488,127</u>	<u>2,147,553</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	183,598	235,818
Advance from Linear Gold Corp.	-	54,327
	<u>183,598</u>	<u>290,145</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK</b>	4,194,893	1,985,856
<b>WARRANTS</b>	339,263	-
<b>CONTRIBUTED SURPLUS</b>	165,483	120,413
<b>ACCUMULATED OTHER COMPREHENSIVE LOSS</b>	-	-
<b>DEFICIT</b>	<u>(395,110)</u>	<u>(248,861)</u>
	<u>4,304,529</u>	<u>1,857,408</u>
	<u>4,488,127</u>	<u>2,147,553</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**  
**Statements of Loss and Deficit**  
**(unaudited - Prepared by Management)**

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	For the Three Months Ended January 31 <u>2007</u> \$	For the Three Months Ended January 31 <u>2006</u> \$
<b>INCOME</b>		
Interest	18,298	-
	<u>18,298</u>	<u>-</u>
<b>EXPENSES</b>		
Amortization	54	-
Office and administrative	1,280	-
Investor relations and marketing	11,159	-
Listing and regulatory costs	32,506	-
Management salaries and services	44,729	-
Professional services	8,350	-
Stock-based compensation	45,070	-
Travel	129	-
	<u>143,277</u>	<u>-</u>
<b>LOSS FROM OPERATIONS</b>	(124,979)	-
<b>OTHER INCOME (EXPENSES)</b>		
Foreign exchange	<u>(21,270)</u>	<u>-</u>
<b>NET LOSS</b>	(146,249)	-
<b>DEFICIT</b> , beginning of period	(248,861)	-
<b>DEFICIT</b> , end of period	<u>\$ (395,110)</u>	<u>\$ -</u>
<b>LOSS PER SHARE - BASIC</b> <b>and FULLY DILUTED</b>	<u>\$ (0.01)</u>	<u>\$ -</u>
<b>Weighted Average Number of Common Shares Outstanding</b>	27,576,890	1

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

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

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	For the Three Months Ended January 31 2007 \$	For the Three Months Ended January 31 2006 \$
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Net loss for the period	(146,249)	-
Charges to operations not involving cash		
Amortization	54	-
Stock-based compensation	45,070	-
	<u>(101,125)</u>	<u>-</u>
Net change in non-cash working capital balances related to operations		
Increase in sales taxes recoverable	(6,852)	-
Decrease in deposits	833	-
Increase in accounts payable and accrued liabilities	66,347	-
	<u>(40,797)</u>	<u>-</u>
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		
Advances from Linear Gold Corp.	(54,327)	-
Common shares issued for cash, net of issuance costs	2,209,037	-
Warrants issued for cash, net of issuance costs	339,263	-
	<u>2,493,973</u>	<u>-</u>
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
Resource property interests and options, net	(545,440)	-
Sales taxes recoverable related to resource property interests	(79,176)	-
Purchases of equipment	(2,741)	-
	<u>(627,357)</u>	<u>-</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,825,819	-
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	130,119	-
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<u>1,955,938</u>	<u>-</u>
<b>NON-CASH FINANCING ACTIVITIES</b>		
Common shares issued as cost of private placement	80,535	
Warrants issued as cost of private placement	12,390	

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

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

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	For the Three Months Ended January 31	For the Three Months Ended January 31
	2007	2006
	\$	\$
<b>Net loss for the period</b>	<b>146,249</b>	-
Other Comprehensive loss (income)	-	-
<b>Comprehensive loss for the period</b>	<b>146,249</b>	-

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

# **LINEAR METALS CORPORATION**

## **Notes to Financial Statements**

Unaudited – Prepared by Management

January 31, 2007

### **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, directly and with exploration partners, 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.

# LINEAR METALS CORPORATION

## Notes to Financial Statements

Unaudited – Prepared by Management

January 31, 2007

### *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 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 period ending January 31, 2007:

	3-months ended January 31, 2007	
	Number	Amount
Balance outstanding - beginning of period	24,307,502	1,985,856
Shares Issued (see note 4(b)):		
Shares issued for cash	3,500,000	2,275,000
Shares issued as finder's compensation for financing	123,900	80,535
Less: Share issue costs	-	(146,498)
Balance outstanding - end of period	<u>27,931,402</u>	<u>4,194,893</u>

##### b) **Private Placement**

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 consists 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 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 Units are subject to a hold period that expires on March 11, 2007.

# LINEAR METALS CORPORATION

## Notes to Financial Statements

Unaudited – Prepared by Management

January 31, 2007

The gross proceeds of the Private Placement allocated to the common shares was \$2,275,000, net of share issuance costs of \$146,498, comprised of \$55,535 cash, 123,900 common shares valued at \$80,535 and professional fees of \$10,428.

The gross proceeds of the Private Placement allocated to the warrants was \$350,000, net of issuance costs of \$23,127, comprised of \$9,040 cash, 61,950 warrants valued at \$12,390 and professional fees of \$1,697.

### c) Stock Options

The following is a summary of stock option activity during the period ending January 31, 2007:

	3-months ended January 31, 2007	
	Number	Weighted average exercise price (\$)
Outstanding, beginning of period	1,970,000	0.60
Granted	330,000	1.71
Exercised	-	-
Expired/cancelled	(10,000)	0.60
Outstanding, end of period	<u>2,290,000</u>	<u>0.76</u>

As at January 31, 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	1,960,000	August 29, 2009	-
1.60	80,000	January 15, 2010	-
1.75	250,000	January 22, 2010	-
<u>0.76</u>	<u>2,290,000</u>		<u>-</u>

## LINEAR METALS CORPORATION

### Notes to Financial Statements

Unaudited – Prepared by Management

January 31, 2007

#### 5. Warrants

a) Warrant activity during the period ended January 31, 2007 was as follows:

	3-months ended January 31, 2007		
	Number	Weighted average exercise price (\$)	Fair Value (\$)
Opening Balance	-	-	-
Issued (see note 4(b))	1,811,950	1.00	362,390
Exercised	-	-	-
Expired	-	-	-
Less: Issue costs	-	-	(23,127)
Ending Balance	<u>1,811,950</u>	<u>1.00</u>	<u>339,263</u>

In connection with the private placement financing completed in November 2006 (see note 4(b)), the Corporation issued 1,750,000 warrants to shareholders and 61,950 warrants as part of the cost of the financing. The warrants have an exercise price of \$1.00 per common share and are exercisable until November 10, 2008. A holding period is in place on the warrants until March 11, 2007, therefore the number of warrants exercisable as at January 31, 2007 is nil.

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

Risk-free rate	3.96%
Expected volatility of the Company's share price	64%
Expected life of each warrant	1.5 years
Fair value per warrant at the date of grant	\$ 0.20

#### 6. Subsequent Event

On February 22, 2007, the Corporation completed a private placement financing that resulted in aggregate gross proceeds of \$10,062,500. The Corporation issued 5,750,000 Units at a price of \$1.75 per Unit. 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 for a period of 24 months. In connection with the private placement, the Corporation incurred cash share issue costs of \$668,750. In addition, the underwriters were granted broker warrants exercisable for an aggregate of 345,000 Units of the Corporation at an exercise price of \$1.75 per Unit until February 22, 2009.

**LINEAR METALS CORPORATION**

**Notes to Financial Statements**

Unaudited – Prepared by Management

January 31, 2007

**7. Comparative Figures**

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