

LINEAR METALS CORPORATION
Management Discussion and Analysis
Quarterly Report - July 31, 2006

This Management Discussion and Analysis of Linear Metals Corporation (the "Corporation") provides analysis of the Corporation's financial results for the three and nine-month periods ended July 31, 2006. The following information should be read in conjunction with the accompanying unaudited financial statements and the notes to the unaudited 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 future production, reserve potential, exploration drilling, exploitation activities and events or developments that the Corporation expects are forward-looking statements. Although the Corporation 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. 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. 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 management discussion and analysis ("MD&A") is prepared as of September 14, 2006.

1.2 Nature of Business and Overall Performance

Linear Metals is a junior exploration company listed on the TSX Venture Exchange. The Corporation is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

On June 6, 2006, the Corporation's parent corporation at the time, Linear Gold Corp. ("Linear Gold"), announced the reorganization and distribution of the Corporation as a dividend-in-kind to Linear Gold's shareholders of record as of June 26, 2006. In connection with the reorganization, the Cobre Grande, La Morena and Tierra Blanca properties, located in Mexico, and the Seymour Lake and KM61 properties, located in Canada, were acquired by the Corporation from Linear Gold during the second quarter of Fiscal 2006. The ownership of the Corporation was distributed to Linear Gold's shareholders on the basis of one Unit of the Corporation for each share of Linear Gold. Each Unit consisted of 0.8 of a common share and one-tenth of a warrant expiring July 31, 2006, with each full warrant entitling the holder to purchase one share of the Corporation for \$0.12.

As a result of the transaction, 17,162,224 common shares and 2,145,278 warrants of the Corporation were distributed to Linear Gold shareholders. The Corporation arranged for a Standby Subscription Agreement to subscribe for shares equal to the number of warrants that expired unexercised, thereby providing that a total of 2,145,278 common shares would be issued pursuant to the exercise of warrants and the Standby Subscription Agreement. The Standby Subscription Agreement was provided by managers of Linear Gold and resulted in total proceeds to the Corporation of \$257,433 from the exercise of warrants and the issuance of shares pursuant to the Standby Subscription Agreement. During the period ended July 31, 2006, shareholders exercised 1,954,604 warrants, resulting in a total of 190,674 shares being issued pursuant to the terms of the Standby Subscription Agreement.

During July 2006, the Corporation completed a Private Placement, issuing 5,000,000 common shares of the Corporation at \$0.15 per share for aggregate proceeds of \$750,000. The Private Placement was completed as a condition of the Corporation's listing on the TSX Venture Exchange and in advance of the July 14, 2006 initial trading date.

During the nine-month period ending July 31, 2006, the Corporation incurred a loss of \$0.1 million, including a loss of \$53,426 incurred during the current quarter. The Corporation has no revenue producing operations and is dependent on successfully completing future equity financings to continue as a going concern.

1.3 Selected Annual Information

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

| Fiscal Year | 2005 | 2004 | 2003 |
|------------------------------------|------|------|------|
| Revenues | \$ - | N/A | N/A |
| Net loss | \$ - | N/A | N/A |
| Basic & diluted net loss per share | \$ - | N/A | N/A |
| Total assets | \$ - | N/A | N/A |
| Total long-term liabilities | \$ - | N/A | N/A |
| 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 Corporation was incorporated on November 17, 2004 as a wholly-owned subsidiary of Linear Gold and was inactive prior to March 2006. Since the reorganization and distribution of the Corporation's shares by Linear Gold, the Corporation has been operating as a stand-alone entity. The Corporation 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 and is anticipating an operating loss of approximately \$175,000 for the year ended October 31, 2006.

1.4 Results of Operations

Three months ending July 31, 2006

During the three-month period ending July 31, 2006, the Corporation incurred a net loss of \$53,426. Expenses included \$12,902 in Professional services, a decrease of \$47,593 or 79% from the previous quarter, and \$27,216 in Listing and regulatory costs, a decrease of \$5,284 or 16% from the previous quarter. These costs in both quarters were primarily related to the Corporation's initial listing on the TSX Venture Exchange and the distribution of the Corporation's shares. Other costs incurred during the current quarter were Management services of \$10,000, representing the cost of services performed by Linear Gold under the Corporation's Management Services Agreement entered into in May 2006; Banking fees of \$111; expenses of \$1,500 relating to Investor relations and marketing; and \$425 in Travel costs. The Corporation also incurred a currency exchange loss of \$1,272 relating to its foreign transactions. The Corporation expects to incur operating losses of approximately \$40,000 per quarter going forward.

Nine months ending July 31, 2006

During the nine-month period ending July 31, 2006, the Corporation incurred a net loss of \$0.1 million. The Corporation incurred total expenses of \$73,397 for Professional services and \$59,716 in Listing and regulatory costs. Banking fees of \$516 were incurred for the nine-month period ending July 31, 2006, as well as \$10,000 in Management service fees; \$1,500 in Investor relations and marketing costs; and \$425 in Travel expenses. In addition, the Corporation incurred a currency exchange gain for the nine-month period of \$2,428.

1.5 Summary of Quarterly Results

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

| | Fiscal 2006 | | | Fiscal 2005 | | | Fiscal 2004 | |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Q3 Jul-06 | Q2 Apr-06 | Q1 Jan-06 | Q4 Oct-05 | Q3 Jul-05 | Q2 Apr-05 | Q1 Jan-05 | Q4 Oct-04 |
| Revenues | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | N/A |
| Net loss | \$ 53 | \$ 90 | \$ - | \$ - | \$ - | \$ - | \$ - | N/A |
| Basic & diluted net loss per share | \$ 0.00 | \$ 0.05 | \$ - | \$ - | \$ - | \$ - | \$ - | N/A |
| Total assets | \$ 2,557 | \$ 1,449 | \$ - | \$ - | \$ - | \$ - | \$ - | N/A |

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

Prior to Linear Gold's reorganization and distribution of the Corporation's shares on June 26, 2006, the Corporation was a wholly-owned subsidiary of Linear Gold and prior to March 2006, the Corporation was inactive.

1.6 Liquidity and Capital Resources

As of July 31, 2006, the Corporation had working capital of \$583,932 compared to working capital of \$32,936 at the end of the previous quarter, an increase that was due to completion of a \$750,000 Private Placement and the exercise of warrants during the current period. During the nine-month period ending July 31, 2006, Linear Gold provided necessary interim financing to the Corporation in advance of the Corporation completing the Private Placement and receiving the proceeds of \$257,433 from the exercise of warrants and Standby Subscription Agreement. The total advanced from Linear Gold was \$458,086 as of July 31, 2006.

The Corporation plans minimum exploration expenditures of \$225,000 during the final quarter of Fiscal 2006. These planned expenditures will be funded from working capital. The Corporation will rely on successfully completing additional equity financings and/or entering into joint venture arrangements in order to continue exploration on its properties. There can be no assurance that the Corporation will be able to obtain the required financing, and the failure to do so could result in the loss of its interest in its properties.

1.7 Off-Balance Sheet Arrangements

At July 31, 2006, the Corporation 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 Corporation.

1.8 Critical Accounting Estimates

Critical accounting estimates used in the preparation of the consolidated financial statements include the Corporation'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 Corporation's control.

The Corporation'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 Corporation 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 Corporation to obtain necessary financing to complete the development and future profitable production or the proceeds of disposition thereof.

1.9 Transactions with Related Parties

Prior to the Reorganization of Linear Gold described in section 1.2, Linear Gold and the Corporation were Related Parties and completed a series of Related Party Transactions. These transactions resulted in the Corporation's acquisition of resource properties located in Mexico and Canada and the initial distribution of the Corporation's shares and warrants.

Linear Gold also provided necessary interim financing to the Corporation in advance of the Corporation completing the \$750,000 Private Placement and receiving the proceeds of \$257,433 from the exercise of warrants and Standby Subscription Agreement. As of July 31, 2006, \$458,086 had been provided by Linear Gold, compared with \$222,493 as of April 30, 2006.

1.10 Financial Instruments and Other Risks

The Corporation's financial instruments consist of cash, receivables and accounts payable. Management does not believe these financial instruments expose the Corporation to any significant interest, currency or credit risks arising from these financial instruments. The fair market values of these financial instruments approximate their carrying values, unless otherwise noted.

In conducting its business, the principal risks and uncertainties faced by the Corporation relate to explorations 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 Corporation's control. In addition to the normal and usual risks of exploration and mining, the Corporation 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 Corporation'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 Corporation relies on equity financing for its long-term working capital requirements and to fund its exploration programs. The Corporation 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 Corporation, or that it will be available on acceptable terms.

1.11 Outstanding Share Data

a) Common Shares

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

At July 31 and September 14, 2006, the Corporation has issued and outstanding 24,307,503 common shares with a recorded value of \$1,985,856.

On April 20, 2006, Linear Gold subscribed for 14,443,502 Units of the Corporation, comprised of 11,554,802 common shares and 1,444,350 warrants, for proceeds of \$675,000. On April 24, 2006, the Corporation acquired interests in the Seymour Lake and KM 61 properties located in Ontario, Canada from Linear Gold for the issuance of 7,009,278 Units, comprised of 5,607,422 common shares and 700,928 warrants, with a value of \$325,000.

During the current quarter, the Corporation completed a Private Placement, issuing 5,000,000 common shares for proceeds of \$750,000. In addition, during the quarter ended July 31, 2006, a total of 2,145,278 shares were issued upon the exercise of warrants and pursuant to a Standby Subscription Agreement for total proceeds of \$257,433. Warrants were exercised for the purchase of 1,954,604 shares of Linear Metals, and the Corporation has provided notice to the Standby Purchaser, under the Standby Subscription Agreement, that 190,674 shares must be purchased subject to their commitment. The Corporation has recorded the amount due from the Standby Purchaser, being \$22,881 as a receivable at July 31, 2006.

Share issue costs of \$21,578 were incurred in connection with the initial distribution of the Corporation's shares and warrants and the completion of the Private Placement and Standby Subscription Agreement. These costs have been charged against the balance of share capital on the financial statements.

b) Warrants

At July 31 and September 14, 2006, the Corporation did not have any warrants issued and outstanding.

During the quarter ended July 31, 2006, warrants were exercised for the purchase of 1,954,604 shares at \$0.12 per share for total proceeds of \$234,552. The balance of 190,674 warrants expired unexercised, and the Corporation has advised the

Standby Purchaser, under the Standby Subscription Agreement, that an equivalent number of shares must be purchased for total proceeds of \$22,881.

c) **Stock Options**

At July 31, 2006, there were no options outstanding pursuant to the Corporation's Stock Option Plan, which provides for up to 10% of the Corporation's outstanding shares to be reserved for issuance to eligible participants in accordance with the rules of the plan and the Exchange.

As of September 14, 2006, the Corporation had 1,970,000 stock options outstanding, which have been granted to directors, officers, employees, and consultants. Included in the total were 450,000 options issued to Investor Relations consultants, conditional on the approval of their appointment by the TSX Venture Exchange.

1.12 Deferred Resource Property Expenditures

During the second quarter of Fiscal 2006, the Corporation acquired interests in the Cobre Grande, La Morena and Tierra Blanca properties located in Mexico and the Seymour Lake and KM61 properties located in Canada, through a series of reorganization transactions with Linear Gold. The series of transactions resulted in the Corporation issuing 21,452,780 Units, comprised of 17,162,224 common shares and 2,145,278 warrants of the Corporation, to complete the acquisition of the properties.

The Corporation's acquisition of the Resource Properties did not result in a substantive change in ownership and therefore, in accordance with Canadian generally accepted accounting principles, the assets have been recorded at Linear Gold's carrying value of \$1,169,188. At the time of the acquisition, the Corporation's Tierra Blanca property was subject to an option agreement with Silver Dragon Resources Inc. ("Silver Dragon"). Silver Dragon has terminated the agreement subsequent to the period end.

During the three-months ending July 31, 2006, the Corporation incurred Resource property expenditures of \$0.2 million. 100% of these costs were incurred in Mexico, with 65% of the costs incurred on the Corporation's La Morena property. The Company is currently completing a four-hole drill program at La Morena covering approximately 1,280 metres of drilling at an estimated cost of \$225,000. The remaining costs were incurred over the Corporation's other properties in Mexico, with 100% of the expenses during the quarter funded from working capital. The Corporation expects to initiate a 1,200 metre drill program on the Cobre Grande property, comprised of three drill holes, at an estimated cost of \$225,000 during the fourth quarter of Fiscal 2006.

1.13 Subsequent Event

On August 30, 2006, the Corporation granted stock options, subject to regulatory approval, to directors, officers, employees and consultants to purchase up to 1,970,000 shares of the Corporation at \$0.60 per common share for a period of up to three years. The options have a vesting period of 30 months, with the first 30% of the stock options vesting after one year.

Included in the total were 450,000 stock options granted to Investor Relations consultants. These options are conditional on the consultants' appointment being approved by the TSX Venture Exchange.

1.14 Other Information

Additional information regarding the Company is available on SEDAR at www.sedar.com.