

LINEAR METALS CORPORATION
Management Discussion and Analysis
For the year ended October 31, 2006

This Management Discussion and Analysis of Linear Metals Corporation (the "Corporation") provides analysis of the Corporation's financial results for the year ended October 31, 2006. The following information should be read in conjunction with the accompanying audited financial statements and the notes to the audited 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 report is prepared as of January 29, 2007.

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 (the "Distribution"). In advance of the Distribution, the Cobre Grande, La Morena and Tierra Blanca properties, located in Mexico, and the Seymour Lake and KM61 properties, located in Canada, were transferred to the Corporation from Linear Gold during the second quarter of Fiscal 2006 (the "Reorganization"). Linear Gold distributed 100% of its interest in the Corporation on the basis of one Unit of the Corporation for each share of Linear Gold, resulting in 17,162,223 common shares and 2,145,278 warrants of the Corporation being distributed to Linear Gold shareholders. 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 common share of the Corporation for \$0.12.

Under Canadian GAAP, the Corporation is required to account for the Reorganization on a continuity-of-interests basis, as if the assets transferred had always been owned by the Corporation. Note 6 of the Corporation's October 31, 2006 financial statements details the accounting treatment of the mineral properties transferred during the Reorganization.

In connection with the Distribution, the Corporation arranged for a Standby Subscription Agreement (the "Agreement") to subscribe for shares equal to the number of warrants that would expire unexercised, thereby providing that a total of 2,145,278 common shares would be issued pursuant to the exercise of warrants and the Agreement. The exercise of warrants and the issuance of shares pursuant to the Agreement resulted in total proceeds to the Corporation of \$257,433. Shareholders exercised 1,954,604 warrants, resulting in a total of 190,674 shares being purchased pursuant to the terms of the 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 Corporation's July 14, 2006 initial trading date.

On November 10, 2006, the Corporation completed a Private Placement, issuing 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 proceeds of the financing will be used to increase the Corporation's level of exploration activities during 2007.

During the year ended October 31, 2006, the Corporation incurred a loss of \$0.3 million. The Corporation has no revenue-producing operations and expects its cash operating losses to increase to \$0.7 million in Fiscal 2007 as the Corporation expands the depth of its corporate resources and significantly increases the level of exploration activities. The Corporation is dependent on future equity financings to fund future operations and continue exploration programs.

1.3 Selected Annual Information

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

Fiscal Year	2006	2005	2004
Revenues	\$ 4	\$ -	\$ -
Net loss	\$ 248	\$ -	\$ -
Basic & diluted net loss per share	\$ 0.02	\$ -	N/A
Total assets	\$ 2,148	\$ 946	\$ 876
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. As discussed in section 1.2, the Corporation received its mineral properties during the second quarter of Fiscal 2006, and the amounts reported for 2004 and 2005 represent "carve-out" balances required under the continuity-of-interests basis of accounting.

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 Corporation's properties and is anticipating an operating loss of approximately \$0.9 million during Fiscal 2007. The Corporation's Net loss will be significantly affected by any write-down or abandonment of any resource properties in a given period.

1.4 Results of Operations

During the year ended October 31, 2006, the Corporation incurred a net loss of \$248,861. Revenue of \$3,674 was recognized relating to interest earned on the Corporation's cash balance during the year. Operating expenses during the year totaled \$256,335 and included \$95,170 in Professional services and \$88,432 in Listing and regulatory costs. These costs were primarily related to the Corporation's initial listing on the TSX Venture Exchange and to the distribution of the Corporation's shares. Other costs incurred during the year were Management service fees of \$25,000, representing the cost of services performed by Linear Gold under the Corporation's Management Services Agreement entered into in May 2006; Banking fees of \$1,144; expenses of \$2,669 relating to Investor relations and marketing; \$1,940 in Travel costs; and general and administrative costs of \$1,211. Operating expenses also included a write down of mineral properties of \$6,274 and a non-cash Stock option compensation expense of \$34,495 attributable to the value of stock options earned during the year. The Corporation expects to continue its current level of activity and anticipates cash operating costs of approximately \$0.2 million per quarter during Fiscal 2007.

The Corporation also incurred a currency exchange gain of \$3,800 relating to its foreign transactions. The Corporation may continue to incur foreign exchange gains and losses arising from changes in the value of Mexican and U.S. currencies used in the conduct of its business, relative to the Canadian dollar.

The Corporation experienced a loss of \$6,274 relating to the write-off of resource property during the fourth quarter of Fiscal 2006 arising from the Corporation's decision to terminate its option to acquire the Tierra Blanca property in Mexico. The Corporation will continue to review its portfolio of resource properties and write-down the carrying costs of any properties considered to be impaired in value.

1.5 Summary of Quarterly Results

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

	Fiscal 2006				Fiscal 2005			
	Q4 Oct-06	Q3 Jul-06	Q2 Apr-06	Q1 Jan-06	Q4 Oct-05	Q3 Jul-05	Q2 Apr-05	Q1 Jan-05
Revenues	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss	\$ 102	\$ 53	\$ 94	\$ -	\$ -	\$ -	\$ -	\$ -
Basic & diluted net loss per share	\$ 0.00	\$ 0.00	\$ 0.05	\$ -	\$ -	\$ -	\$ -	\$ -
Total assets	\$ 2,148	\$ 2,557	\$ 1,449	\$ 1,137	\$ 946	\$ 860	\$ 857	\$ 857

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. As discussed in section 1.2, the Corporation received its mineral properties during the second quarter of Fiscal 2006. As such, the quarterly asset amounts reported for Fiscal 2005 and the first quarter of Fiscal 2006 represent "carve-out" amounts and represent estimates made by management of the "carve-out" assets at that time.

1.6 Liquidity and Capital Resources

As of October 31, 2006, the Corporation had working capital of \$14,478. During the year ended October 31, 2006, Linear Gold provided necessary interim financing to the Corporation, with a balance outstanding of \$54,327 as of October 31, 2006. This amount was repaid to Linear Gold subsequent to the year-end, and Linear Gold will not be providing any further interim financing.

During the year ended October 31, 2006, the Corporation used \$0.2 million of its working capital to fund operating expenses. Net Resource property expenditures totaled approximately \$0.7 million, of which \$0.1 million was funded from option payment proceeds. The remaining expenditures were funded from the Corporation's working capital.

During Fiscal 2006, share capital transactions resulted in net cash proceeds of \$1.0 million to the Corporation. The Corporation issued a total of 24,307,502 common shares during the year, including 17,162,223 common shares related to the transfer of properties through the Reorganization, and incurred share issue costs of \$21,578.

On November 10, 2006, the Corporation completed a Private Placement, issuing 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 proceeds of the financing will be used to increase the level of exploration activities during 2007.

The Corporation plans resource property expenditures of approximately \$2,000,000 during Fiscal 2007, which will be funded from working capital. In the future, the Corporation expects to rely on 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 resource properties.

1.7 Off-Balance Sheet Arrangements

At October 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 Evaluation of Disclosure Controls

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Corporation's disclosure controls and procedures as of October 31, 2006. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Corporation's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings, are designed effectively to ensure that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized, and reported within the time period specified in those rules.

During the process of review and evaluation, it was determined that the Corporation's disclosure controls and procedures were operating effectively as at October 31, 2006.

1.9 Design of Internal Controls

The Corporation evaluated the design of its internal controls and procedures over financial reporting, as defined under Multilateral Instrument 52-109, for the year ended October 31, 2006. This evaluation was performed by the Chief Executive Officer and the Chief Financial Officer with the assistance of other corporate personnel to the extent necessary or appropriate. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design of these internal controls and procedures over financial reporting was effective.

The Corporation has very limited administrative staffing, therefore it is important to recognize that internal controls relying on segregation of duties is not possible in many cases. The Corporation relies on senior management review and approval to ensure that the controls are as effective as possible.

1.10 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 factors affecting stock-based compensation include estimates of when stock options might be exercised and the stock price volatility. The timing for exercise of options is out of the Corporation's control and will depend upon a variety of factors, including the market value of the Corporation's shares and the financial objectives of the stock-based instrument holders.

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.

1.11 Changes in Accounting Policies Including Initial Adoption

There have been no changes in the Corporation's accounting policies during the year ended October 31, 2006.

In January 2005, the CICA released new Handbook Section 3855, "Financial Instruments – Recognition and Measurement" and Section 1530, "Comprehensive Income", effective for the interim periods and year ends for fiscal years commencing on or after October 1, 2006 on a prospective basis.

The Corporation will adopt these new standards November 1, 2006 on a prospective basis.

Section 3855 establishes standards for the recognition and measurement of all financial instruments, provides a characteristics-based definition of a derivative financial instrument, provides criteria to be used to determine when a financial instrument should be recognized, and provides criteria to be used when a financial instrument is to be extinguished.

Section 1530 establishes standards for reporting comprehensive income. These standards require that an enterprise present comprehensive income and its components in a separate financial statement that is displayed with the same prominence as other financial statements.

The adoption of these new standards will not have any significant effect on the Corporation's financial statements.

1.12 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 transfer of resource properties located in Mexico and Canada from Linear Gold and the initial distribution of the Corporation's shares and warrants.

Linear Gold provided necessary financing to the Corporation, and advances from Linear Gold totaled \$54,327 as of October 31, 2006.

1.13 Financial Instruments and Other Risks

The Corporation's financial instruments consist of cash, receivables, deposits, 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, with the exception of the sales taxes recoverable. Virtually all of the sales taxes recoverable are with governments in a foreign jurisdiction. 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 exploration 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.

1.14 Outstanding Share Data

a) Common Shares

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

At October 31, 2006, the Corporation had issued and outstanding 24,307,502 common shares with a recorded value of \$1,985,856.

At January 29, 2007, the Corporation has issued and outstanding 27,931,402 common shares with a recorded value of \$4,534,253 following the Private Placement financing that occurred subsequent to year-end.

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 received 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 5,607,421 common shares and 700,928 warrants.

During the year, the Corporation completed a Private Placement, issuing 5,000,000 common shares for proceeds of \$750,000. In addition, a total of 2,145,278 shares were issued upon the exercise of warrants and pursuant to the Agreement for total proceeds of \$257,433. Warrants were exercised for the purchase of 1,954,604 shares of Linear Metals, and 190,674 shares were issued under the Agreement.

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 the Agreement. These costs have been charged against the balance of share capital on the financial statements.

On November 10, 2006, the Corporation completed a Private Placement, issuing 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 units are subject to a hold period expiring on March 11, 2007. Finders' fees totaling \$157,500, comprised of \$64,575 cash and 123,900 units issued at a deemed price of \$0.75 per unit, were paid in respect of the Private Placement. Professional fees of \$12,028 were incurred in connection with the Private Placement. These costs have been charged against the balance of share capital.

b) Warrants

At October 31, 2006, the Corporation did not have any warrants issued and outstanding.

At January 29, 2007, the Corporation had a total of 1,811,950 warrants outstanding, with each warrant entitling the holder to purchase a common share at a price of \$1.00 per share until November 10, 2008.

During the third quarter of Fiscal 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 were purchased under the Corporation's Standby Subscription Agreement for total proceeds of \$22,881.

c) Stock Options

At October 31, 2006, the Corporation had 1,970,000 stock options outstanding exercisable into common shares of the Corporation at an exercise price of \$0.60 per share.

As of January 29, 2007, the Corporation has 2,300,000 stock options outstanding exercisable into common shares of the Corporation at an average exercise price of \$0.76 per share based upon the issuance of options subsequent to year end.

1.15 Deferred Resource Property Expenditures

Details of the Corporation's deferred resource property expenditures during the years ended October 31, 2006 and 2005 are outlined below:

	2006				
	Carve-out Carrying Value	Deferred Exploration Costs	Proceeds from Option Payments	Cost Written Off	Total
	\$	\$	\$	\$	\$
	-	-	-	-	-
Mexico					
Cobre Grande	-	85,171	-	-	85,171
Tierra Blanca	40,113	50,251	(84,090)	(6,274)	-
La Morena	494,721	506,717	-	-	1,001,438
Other	-	190,562	-	-	190,562
	534,834	832,701	(84,090)	(6,274)	1,277,171
Canada					
Seymour Lake / KM61	565,183	-	-	-	565,183
Mineral properties and deferred exploration expenditures, end of period	1,100,017	832,701	(84,090)	(6,274)	1,842,354

During the second quarter of Fiscal 2006, the Corporation received 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 17,162,223 common shares and 2,145,278 warrants of the Corporation, and cash of \$14,099 to complete the Reorganization.

The transfer of the Resource Properties to the Corporation 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 \$1,100,017, with a carrying value of \$494,721 applied to the Corporation's La Morena property, \$40,113 to Tierra Blanca, and \$565,183 applied to Seymour Lake / KM 61 ("Carve-out Carrying Value). The balances noted in the above schedule reflect the continuity-of-interests "carve-out" accounting treatment of the Reorganization discussed in section 1.2.

At the time of the transfer, the Corporation's Tierra Blanca property was subject to an option agreement with Silver Dragon Resources Inc. ("Silver Dragon"). Silver Dragon terminated the agreement during the fourth quarter of Fiscal 2006, and the Corporation subsequently terminated its option to acquire the property, writing off the \$6,274 carrying balance of expenditures on the property.

During the year ended October 31, 2006, subsequent to the transfer of properties from Linear Gold, the Corporation incurred Deferred exploration expenditures of \$0.8 million, of which approximately 60% related to property evaluation and drilling. 100% of these costs were incurred in Mexico, with 60% of the costs incurred on the Corporation's La Morena property. The Corporation completed a four-hole drill program at La Morena during the fourth quarter. The remaining costs were incurred over the Corporation's other properties in Mexico and included option payments of US \$55,000 on the Cobre Grande project and US \$35,000 on the Tierra Blanca project. The Corporation also received an option payment of \$84,090 from its previous joint venture partner, prior to the termination of the joint venture.

The Corporation commenced an initial 3-hole drill program on the Cobre Grande property in November 2006. The initial program was successful in identifying significant zones of mineralization and a follow-up drill program was initiated in January 2007. The scope of the follow-up program will be adjusted based on the results of the program.

1.16 Subsequent Events

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 units are subject to a holding period that expires on March 11, 2007. Finders' fees totaling \$157,500, comprised of \$64,575 cash and 123,900 units issued at a deemed price of \$0.75 per unit, were paid in respect of the Private Placement, in addition to professional fees of \$12,028.

Subsequent to year end, the Corporation acquired two new projects in Mexico. The Corporation entered into an option agreement with the community of Santa Maria Ecatapec for mineral and surface access rights to an area of 350 hectares in the state of Oaxaca, Mexico. The Corporation also entered into an option agreement with an individual owner for the La Lupita base metal-silver project located in Sonora, Mexico. The La Lupita agreement covers two mineral concessions and two pending applications for mineral concessions over an area of 850 hectares.

In December 2006, the Corporation received notice from Falconbridge that it would not maintain its interest in the KM61 property. Accordingly, the Corporation regained a 100% interest in the property.

On January 22, 2007, the Corporation announced the appointment of Dr. Robert Page as its Vice-President – Exploration. Dr. Page will be responsible for all aspects of the Corporation's exploration programs, including planning, implementing and overseeing the exploration and drilling of the Corporation's resource properties.

1.17 Other Information

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